

conference 2 hours after Kodak's Jan. 4, plans to show its Hi-Fi VHS recorder, possibly new tiny MOS camera. Hitachi-made 8mm camcorder could be added to list at last minute.

Kodak's video line introduction will be international in true Kodak style, with news conferences Jan. 4 in N.Y. & L.A., others in Belgium, Canada, England & Holland. N.Y. and foreign meetings will all start at 10:30 a.m. EST, L.A. beginning hour later. Although there are strong indications Kodak plans to show extremely small 4.5-lb. Matsushita-made camcorder, Matsushita Pres. Toshihiko Yamashita last week repeated statement he made to us (TVD Dec 12 p13) that no deal had been made to supply Kodak. He added that Kodak had asked company to supply it with 8mm system and said Matsushita is studying proposal, will discuss it when Kodak officials visit Japan this month.

Just as Beta lost one U.S. brand it gained one — Sony subsidiary Aiwa announcing unique Beta Hi-Fi portable system here. Aiwa produces Beta Hi-Fi VCRs in Japan for Sony, markets them there under own name as well. New unit, available in March, has portable VCR with built-in tuner-timer, power supply, weighing only 13.7 lb., separate stay-at-home 5-watt-per-channel audio amplifier for use with own speakers or as preamp for audio system. Complete system is \$1,395, companion 3.5-lb. camera with 1/2" saticon, power zoom, \$950.

1984—THE BOOM ROLLS ON: The Great Video Boom of 1983 will continue into 1984, which will go down in history as first year of more than 20 million TV sales, 15 million color sets — and 6 million VCRs. It will also be year in which traditional TV manufacturers will have opportunity to make a buck — but it will see continuation of tough price competition, particularly in VCRs and low-end color. Signs of stability will return to videogame & computer field as weak-sister shakeout runs its course, while audio market proceeds with recovery and video software business booms.

Our forecasts below bear little resemblance to those in our industry survey last week (TVD Dec 26 p15) — or to consensus forecasts EIA will present at Winter CES in Las Vegas this week. Last year, too, our predictions were more optimistic than industry's, but, like everyone else, we were far too low. Here are our guesstimates for 1984 sales to dealers:

Product	1984 (forecast)	1983 (estimated)	1984 vs. 1983	1982 (EIA)	1983 vs. 1982
Total TV#.....	20,600,000*	19,710,000**	+ 4.5	17,131,568	+15.1%
color#.....	15,100,000*	13,950,000**	+ 8.2	11,366,334	+22.7%
monochrome#.	5,500,000	5,760,000	- 4.5	5,765,234	- 0.1%
Projection TV..	175,000*	142,500**	+23.2	117,253	+21.5%
Home VCR.....	6,000,000*	4,075,000**	+47.2	2,034,797	+100.3%
Color cameras..	700,000*	405,000**	+72.8	295,947	+48.2%
V'disc players.	500,000*	300,000**	+66.7	222,625	+34.7%

Excluding projection. * Projected record. ** Record.

We see 1984 starting off strong in consumer electronics, continuing pace of 4th quarter 1983, with extremely strong first half, 3rd quarter showing more modest increase over last year, 4th quarter equal to 1983 period, or perhaps slightly below, but not enough below to keep year from emerging as all-time record-buster for consumer electronics, whose pace will far outdistance economy as whole. As for specific products & issues:

Color TV: Olympics and Presidential election, coming on top of demand for color sets and display devices, will keep sales roaring. Color, more than ever, will be 3-tier market — competition hot as ever and prices low as ever in low end; mid-line will see some firming of prices, high end will enjoy general increase due to stepping up, greater percentage of large-screen sets, monitor receivers, stereo audio systems. Square-cornered tubes will be commonplace by year's end, as they start appearing in U.S.-made sets, but in top tier only, Japanese manufacturers begin featuring them in some mid-line models.

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VCR: We don't see this product leveling off, even to extent industry consensus does — not in 1984. Instead, fever will continue, buoyed by prices so low it will be tough to make a buck on them. Anticipating mass entry into market by Koreans, Japanese will make even lower-priced sets, and by year's end floor prices will be below \$299. Hi-fi stereo VCRs will catch on, but it will be low end which will pile up tonnage to hit 6-million mark.

Color cameras: Lightweight units with solid-state pickups will provide the excitement, and cheaper low-end units will provide the sales momentum, and, as in VCRs, we could see some cameras around \$300 level. VHS Video Movie and new version of Betamovie will help push camera market, and while some other manufacturers will join Kodak in 8mm, product will be too new by year's end to give any clue as to new format's acceptance. Camcorders — Betamovie, VHS Video Movie and 8mm Video — are included twice in table above, as both color cameras and VCRs.

Videodisc players: This is the year they'll get moving. Lines will be more sharply drawn — CED at low end, Laservision at high — both showing increasing strength. RCA will overcome prejudice against its "primitive" system by showing surprisingly sophisticated new version of interactive machine. Disc as computer & game peripheral won't make major impression on home market in 1984.

Projection TV: Numbers will continue low, but dollars will about equal those brought in by color video cameras. Screens will get smaller — down to 35" — and cabinets more compact, as gradual improvements in brightness, contrast, resolution and viewing angle continue. It will be largely a rear-projection business, but 2-piece giant screens will still garner the publicity and decorator appeal.

Monochrome TV: Still the old standby, not impacted very much by soaring color sales, with novelty market (pocket TVs, etc.) accelerating.

TV imports: There'll be no respite from intense import competition, and 1983's record 4 million complete sets should be surpassed, if only modestly. Look for Korea's Daewoo and Taiwan's AOC to join steadily growing ranks of foreign manufacturers with U.S. assembly operations. Final dumping duty assessments on shipments from Korea & Taiwan will be as minor as preliminary findings indicated, preventing U.S. & Japanese marketers from implementing price hikes at low end. Big issue of 1984 will be COMPACT's bid to change rule that now allows foreign assemblers to import picture tubes as part of kits and pay only 5%, instead of standard 15% duty. Administration will go along with argument this threatens health of domestic tube makers, order Customs to shut that door.

Computers & games: Videogame cartridge liquidations should have completed feed through market by midyear, leaving more stable, but significantly smaller business. This should be long-awaited breakthrough year for home computers, with IBM providing needed legitimacy, Atari, Commodore and, if it can overcome bad startup publicity, Coleco riding that wave. Flood of low cost peripherals from independents and general price pressures will hold down hardware profits, have lesser effect on software. Future of U.S. console producers will cloud at year's end when first MSX standard models from Japan start showing up.

Audio: Coming of stereo TV broadcasting will help make 1984 another year of modest improvement for components and packaged systems. Smaller, better performing models will help keep stereo portable tape business growing, though profits will stay low. It will be good year for CD digital audio, with player prices coming down and discs more widely available, but not enough to spur general consumer acceptance.

Video software: Given margin for error on upside, we think total cassette deliveries will hit 18 million, with ratio holding at 80-85% theatrical & specialized titles, 15-20% adult, with music and children's programs emerging as significant business. Margins for program suppliers will improve with expected 10-20% decline in tape duplication costs, no change in packaging. Rise in disc player sales will be matched by increased demand for discs, particularly at new lower prices.

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Those are our general product predictions. Now for some specific out-on-a-limb forecasts:

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Videotaping controversies: We think U.S. Supreme Court finally will uphold major aspects of Appeals Court rulings that home taping infringes copyright, in effect dumping problem into lap of Congress, which will work on fee legislation. Fair Marketing Amendment will pass, to give studios control over tape & disc rental, but will face certain court challenge.

Stereo TV: We can see FCC departing from its marketplace stance just this once, to adopt unanimous industry choice, Zenith system with dbx companding, by 3-2 vote. By next winter, adaptors, set-top multichannel TV sound radios and complete multichannel TVs will be available in a trickle. There'll be some broadcasting in stereo by PBS, some commercial bilingual transmissions in big cities. However, feature won't be widely advertised by set makers (not enough product) or by broadcasters (not enough audience).

Digital TV: No impact in 1984, except on trade & technical press. At least 2, maybe 3 or 4 manufacturers, will show sets in 2nd half, but deliver few, if any. Recognizing that magic of word "digital" isn't enough (and that picture is indistinguishable from analog one), these manufacturers will also show digital peripherals & features scheduled for 1985 introduction. They'll include teletext, ghost & noise canceler, picture-in-picture, possibly high-resolution system expanding standard 525-line picture to 1,050.

DBS: Fever will grip public, and manufacturers — not necessarily TV manufacturers — will respond with announcements of grandiose plans for low-cost dishes, receiver-converters. Lots of talk and preparation for the big action to come.

As always, in this first issue of year, we try to be as specific as possible in our forecasts — vastly increasing the danger we'll be wrong. But these are our best guesses, based on our observation of industry for nearly 40 years, and for 1984 they spell out, strongly & positively, Happy New Year.

JVC SHRUGS OFF THREAT FROM 8MM VIDEO: Coming 8mm Video VCR format will be so handicapped by shortage of blank & recorded software that it may never pose significant threat to home market domination of 1/2" tape. That's view of JVC top management as expressed to us by senior official — who asked not to be identified — during our recent visit to company's Yokohama hq.

JVC, he pointed out, was among founding members of 8mm Video standards development group that started with intention of coming up with lightweight compact one-piece camcorder "to replace or do more than super 8" film cameras. "The thought was that 1/2-in. wasn't capable of this and that a new format was needed." At JVC "we went 2 ways," working on 8mm while "further developing VHS, though most companies went one way and didn't study the possibilities of the old formats."

Result was JVC's VHS-C Video Movie that provides all targeted requirements of 8mm Video "without adding to the present 3-system incompatibility, and we feel that less formats is better." VM, he said, is smaller & lighter than 8mm, will cost 20-30% less, and tapes will be 1/3 as expensive as metal tapes needed for 8mm. "If 8mm picture quality were much better, then we would have another story," but there will be little quality difference because of the small head drum size used in new format, he claimed. As for VM's limited playing time — 20-min. per NTSC cassette — "theoretically speaking we can make that up to 3 times longer, but we believe it's long enough for most uses."

VM, he stressed, is accessory to, not replacement for, full-sized VHS equipment, as 8mm is reputed to be. Except for such replacement use, sales of 8mm Video would be too small to support production by even 10 of the 122 standards committee members, he said, noting that world market for super 8 movie cameras is just 1.5 million annually. As for pushing 1/2" out of market, "by the time 8mm appears we will be selling 50 million VCRs annually. They will have to create a momentum to reverse that situation and technology isn't enough to do it. This is not like TV, where the introduction of a flat screen would stop sales of present sets immediately. The more a product relies on software, the harder it is to overcome the software availability problem," as is being shown today in video and CD audio players.

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Strong backing from software marketers will be needed, and that won't be coming, he predicted. "It's not just hardware manufacturers — tape & software manufacturers are making money on 1/2-in. too, and they won't invest in a new format unless they are sure they can sell." It took JVC "a lot of money to reach the breakeven point in VHS, and now we all share the profit. For a new format do to the same thing now will take too much time and money." N.V. Philips, he said, "showed it's aware of this" by moving to VHS even though it's supposed to introduce 8mm in 1984. As for success of short-play vs. long-play camcorders, VM will be out in Japan this spring "and we will wait to hear the voice of the consumer. We have to see what the market shows us."

JVC has similar view of digital TV. System may provide better pictures and more functions, "but at a high cost, and how many people will appreciate that?" Prime attraction, JVC believes, lies "in lowering the cost of production. Digital TVs would need no adjustments, so we could have a factory without any people, and that's where the real advantage is."

On videodisc front, development effort centers on 3-way — video, audio, computer — system concept, we were told by Toshiya Inoue, senior managing dir. responsible for R&D Center. We saw demonstration of interactive computer controlled VHD-based videogames, learned JVC is working on "standard VHD computer language that, with interface, can be used with any computer." Talks now are being held with several manufacturers and compatible language could be ready next year, Inoue told us.

Upcoming VHD II interactive disc format will be able to hold 3 Mbytes of data in audio channel B, along with regular video & audio information. Experimental golf program we ran offered choice of clubs, swing strength and direction for each shot. Single hole has 500 on-screen action options. AHD, digital audio disc companion for VHD, is due for marketing later this year and also can be used for computer program. Disc, which normally provides 2 hours play time per side, can alternatively hold hour of audio, 160 Mbytes of data and 3,000 still frames. Inoue said he feels AHD, not CD, digital audio disc will become accepted computer program system "as its capacity is 4 times as much and the pictures are much better."

SAMSUNG GETS FINANCING: Korea's Samsung last week received start-up financing for 232,000 sq. ft. color TV and microwave oven assembly in N.J., with state Economic Development Authority sale of \$9.1 million of industrial revenue bonds to N.Y.'s Chemical Bank (TVD Oct 24 p11, Nov 28 p11).

Samsung said total investment in facility will be \$25 million, with company putting in \$2 million, raising rest from other U.S. sources. Plant in Roxbury Twp. will be highly automated, have design capacity for production of 450,000 color TVs, 300,000 ovens, annually. Company expects to break ground next month, complete construction in Aug. Employment will be 125 at start, including personnel at U.S. hq in Secaucus, eventually expand to 300.

Samsung said U.S. accounted for 65% of its 1983 export sales of \$500 million. It claims 2.4% share of U.S. market for color TVs, 7.8% for microwave ovens. Based on estimated full year results, Samsung sold about 330,000 color sets, 460,000 ovens here in 1983.

Cracked crystal balls aren't restricted to consumer electronics prognosticators. Industry wasn't alone in drastically underestimating strength of 1983 consumer demand. At start of year, AHAM predicted factory sales of microwave ovens would rise 7.5% to 4.07 million. Latest actual sales figures show Nov. shipments jumped 52.9% to 648,000, putting 11 months at 5.34 million, up 46.9%.

Home videogame exemption from testing, labeling & recordkeeping requirements for electric toys has been requested by EIA Consumer Electronics Group. In petition to Consumer Product Safety Commission, CEG asserts that recent inclusion of such games under toy safety rules is unnecessary, that 1969 regulations weren't intended to cover games and that compliance puts unfair burden on manufacturers. Petition notes games are used mainly by older children & adults, and that though some 15 million are in use, not a single videogame-related injury has been reported.

China is asking Japanese to give technological boost to its developing color TV manufacturing industry. China reportedly is ready to spend up to \$4 million for help with plant modernization and automation program designed to hike production tenfold to 4.5 million sets annually by 1990. China also is in market for VCR manufacturing know-how. Separately, Philips Brazil said it received \$20 million contract to supply China with 1.5 million b&w picture tubes in 1984-85.

Scandinavia is joining in general consolidation of Europe's consumer electronics industry. Nokia Oy, Finnish producer of commercial electronics, plastics & metals, said it will buy majority interest in 2 major color TV makers, Salora Oy of Finland and Sweden's Luxor. Terms weren't disclosed. Luxor also produces computers, TV reception & audio equipment.

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1989'S COMPUTER A TV? What's the difference between a computer and a TV set? Five years from now — nothing, according to Pres. David Kaye of Kaypro Corp.

Kaye, who estimates his company is now No. 4 in sales of over-\$1,000 personal computers with 6% of market (IBM 25%, Apple 18-20%, Radio Shack 16%), is beginning to make stronger pitch for home market, speaking at CES computer seminar and exhibiting at show. He says about 25% of Kaypro computers are in homes.

We recently asked Kaye to look 5 years into future of computers — into start of "5th generation" of product. By 1989, he said, "the personal computer will be as ubiquitous as the TV set — as a matter of fact, it will be one and the same. The TV set will become the true computer. Full libraries will be available on easy-to-use computer media — perhaps optical Compact Discs. Reference materials will be instantly accessible by TV."

Successful computer of 1989 "will concentrate on ease of use — not on the kind of programming we have today," in Kaye's opinion. "How many families will even know what word processing is? They'll all have it, and use it. The same with data bases and educational programming." They'll simply be accepted as part of the interactive compuTV of future, Kaye believes.

Will Kaypro's growing family of computers survive in world of IBM, AT&T and other giants? He believes it will — "in the current shakeout, we're the shaker, the price leader," with popular Kaypro II now at \$1,595, including bundled software. "A solid contender can stand up to IBM through price advantage. Life still exists outside of IBM."

Can Kaypro avoid fate of look-alike Osborne? Said Kaye: "Osborne's major mistake was in not keeping up with technology" — mistake he believes Kaypro is avoiding with steady stream of new models & peripherals.

Changes in near future to make computers more friendly to average consumer and to small business, Kaye believes, are such devices as "flying keyboard," which can be detached from terminal and carried along as self-contained portable computer, as well as LCD displays with 25 lines, 80 characters, which will be lighter and more convenient than CR tubes and just as easy to read.

Kaypro is working on systems with more "soft keys" which can easily be dedicated to eliminate memorizing of commands, on models with built-in modems for data base access, which Kaye thinks will be one of most important uses of future computers.

Company currently is turning out 8,000-10,000 computers monthly — "we could do 50% more if we could make enough [hard disc] Kaypro 10s." Kaye says company has \$30 million in back orders for model 10. It shipped 53,000 units in fiscal year to Aug. 31 vs. 2,000 in fiscal 1982.

Curtis Mathes is launching nationwide franchise program, will announce details this weekend at Winter CES in Las Vegas.

VHD'S FIRST YEAR: JVC and other Japanese supporters of last April's VHD videodisc format launch have learned it's no easier to crack market there than it has been for RCA with its CED system here.

JVC estimates that consumers bought 70,000-80,000 players of all brands in 1983, only about half of 150,000 predicted when sales started (TVD April 25 p16). JVC says its own brand accounts for about 33% of market. Sales pace picked up in final quarter, when volume was running at about 10,000 monthly.

There are about 450 VHD titles on market in Japan, more than double the 200 JVC started with. JVC itself has 300, is custom presser of rest. JVC has 22 presses running at its Yamato plant, where capacity is 600,000 discs monthly. Presses are being kept busy, but not with movies. Best sellers now are karaoke, Japan's unique sing-along music discs, which currently account for 70% of production. JVC and others have introduced Karaoke VHD players featuring microphone inputs. Karaoke video has caught on quickly in bars & clubs, started making inroads in homes.

Sony Chmn. Akio Morita will head delegation from Japan's strongest business group, Keidanren, when it visits Washington next month to argue for legislative elimination of unitary taxes being imposed by individual states. Under unitary system, states base corporate taxes for foreign companies on worldwide profits rather than on results of local operation. Japanese contend this is unfair and discourages investment in U.S. In past, U.S. Supreme Court has upheld legality of unitary taxation, but recently agreed to look at issue again. Special committee headed by Treasury Secy. Donald Regan also is studying situation, is slated to report to President Reagan in Feb.

Coleco hired Honeywell's Customer Services Div. to set up & run nationwide service center network for Adam home computers. Honeywell expects to have 5 open this week, 35 by April, more by end of 1984. Customers now bring non-functioning Adams back to stores, which ship them to Coleco for repair. Adam has been criticized recently for high defect rate, but Coleco says that in many cases problem was with instruction book, not computer. Current production defect rate is less than 10%, Coleco contends, quotes Honeywell spokesman as saying Adam "has been designed to the highest quality & reliability standards."

Commodore 444 home computer slated for introduction at WCES in Las Vegas next week at about \$700 will have built-in word processing, spreadsheet & graphics software. It will contain AT&T-developed Unix operating system so it won't be able to run programs designed for Commodore 64 computers. Commodore is expected to offer translator module that will allow new computer to use at least some of software library developed for 64.

Yamaha will introduce CD digital disc player at CES at \$599. Its first model was \$1,300.

Consumer Electronics Personals

Alfred Kahn, Coleco mktg. head, promoted from senior vp to exec. vp... **Frank DiLeo** advanced at Dynascan from exec. vp-COO to pres., succeeding founder **Carl Korn**, who continues as chmn.-CEO... **Richard Quinlan**, ex-JVC Video Div. national field sales mgr., joins Aiwa as video products mgr., responsible for directing hi-fi firm's entry into VCR market... **David Kennedy**, ex-Instrumentation Lab, joins BSR as pres. of subsidiary dbx... **Robert Gras** advanced at RCA to financial analysis & reporting staff vp.

Robert Burnett advanced at 3M from Home Entertainment Products Dept. international mgr. to Magnetic Audio-Video Products Div. consumer products mktg. dir.; **Richard Mueller** named mktg. operations mgr.; **George Kanda** appointed quality assurance mgr... **Irv Stern**, ex-JBL exec. vp, and **Arnold Wolf**, former JBL chmn., named pres. and product design dir., respectively, of ECCO, new producer of \$300 audio amplification system for video products... **Donald Haight** named Ampex Audio-Video Systems Div. business management dir., new post... **John Walther**, ex-Post-Newsweek, named EIA Consumer Electronics Group administration & finance dir.

Al Bergamo resigns as pres., MCA Distributing, handling audio & home video; there are no plans to name replacement... **Fritz Friedman** advanced at RCA/Columbia Pictures Home Video to newly created post of mktg. services mgr.; **Linda Donewald** joins as mktg. mgr., succeeding Friedman; **Mitchell Wallis** promoted from senior accounts mgr. to ad mgr., also new post... **Ray Bernstein**, ex-Columbia Pictures, appointed business affairs vp, Vestron Video, new position; **Nana Greenwald**, ex-Showtime/Movie Channel, becomes film evaluation dir... **Chase Carey** promoted to senior vp, Columbia Pictures Pay Cable & Home Entertainment Group... **Barbara Burns** named Family Home Entertainment PR dir.

Walton Cottrell named Owens-Ill. planning vp, replacing **Richard Lock**, now vp-treas... **George Vashel**, ex-Signetics, appointed Intersil mktg. vp, succeeding **Steve Pletcher**, who returns to fulltime duties as GE Semiconductor Business Div. gen. mgr... **Donald McGuinness** promoted at Sprague from Active Components Group vp to corporate operations exec. vp... **Richard Mau**, ex-Sperry corporate & govt. relations vp, joins Raytheon as public & financial relations vp.

Ad notes: Apple appoints BBDO International for Europe, replacing Leo Burnett on \$11.3 million account... Ampex names Dailey & Assoc. for Computer Products Div... Pittway substantiated dual function ad claim for its First Alert smoke detectors. Responding to challenge by BBB, it showed ionization sensor in alarm is triggered by both large smoke particles and smaller particles from flame.

Lloyd's stockholders approved acquisition of audio marketer by distiller Bacardi for \$11.6 million in cash (TVD Oct 24 p13).

U.S. EXPORTS DOWN: Though rate of decline eased U.S. TV exports continued to slump in 3rd quarter, leaving industry's foreign trade well below 1982 levels for first 9 months of 1983, Commerce figures show.

Value of 3rd quarter shipments dropped 23.7% to \$29.2 million on across-board product declines. In color, unit shipments were off 17.3% to 77,100, value down 20.7% to \$26.6 million; b&w dropped 47% to 16,800 at \$1.86 million, off 49.2%; combinations fell 21.3% to 2,000 at \$775,000, off 29.5%. For 9 months, total shipment value was down 48.1% to just under \$66 million, combinations providing only gains, with units up 25.6% to 7,300, value up 22.6% to \$3 million. In color for full period shipments dropped 46.2% to 164,100 and value fell 47.1% to \$58.1 million, while b&w units were down 72.6% to 34,200, with value down 67.1% to \$4.86 million.

Average export pricing for color & combination models also declined. In Jan.-Sept., average value of exported color TV slipped to \$354.27 from \$360.16 in same 1982 period, while combination average fell to \$409.81 from \$419.81. In b&w, average rose to \$142.26 from \$118.56.

Arcade games will be springboard for optical format domination of videodisc marketplace by mid-decade, providing 96% of hardware, 91% of software sales, in 1987, according to Frost & Sullivan report. It sees player sales growing from \$96 million in 1983 to \$2 billion in 1987, discs increasing from \$250 million to \$5 billion, with arcades accounting for 50% of hardware, 80% of software volume. Since schools are seen buying 40% of optical players, report sets aside just 10% for home entertainment market. It expects CED "will be largely restricted" to home use, "will continue to meet intense competition from other sources of video programming." Details: F&S, 106 Fulton St., N.Y. 10038

Video software notes: Embassy Home Entertainment is understood to have bought 5-year U.S. & Canada home video rights to ABC Video Entertainment hit Silkwood for \$1.7 million... Paramount is expected to announce sales of 530,000-550,000 cassette copies of Raiders of the Lost Ark, or 20-25% increase from start-up shipment. Assuming CED & Laservision have shown same improvement, disc deliveries should jump 20,000 to 100,000 units. Paramount expects opening orders for more than 150,000 copies of Flashdance.

Joint promotion & liaison office is expected to be opened in Tokyo by industry's 2 major west coast trade groups, American Electronic Assn. and Semiconductor Industry Assn. AEA plans for Far East were disclosed here last Oct. (TVD Oct 3 p16). U.S. Commerce Dept., it's understood, has agreed to underwrite some costs.

Superscope will resume international marketing of Superscope brand products May 1. Temporary rights to name outside U.S. & Canada were included when Philips acquired overseas assets of Marantz operations from Superscope in 1980. Superscope said it will begin limited foreign distribution of Superscope brand home & audio and video products in 2nd quarter.

Consumer Electronics®

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STATE OF THE INDUSTRY

Sales to dealers, from EIA, for week ended Dec. 23 (51st week of 1983):

	DEC. 17-23	1982 WEEK	% CHANGE	DEC. 10-16	51 WEEKS 1983	51 WEEKS 1982	% CHANGE
TOTAL TV#.....	402,805	317,393	+26.9	440,009	19,313,980##	16,765,070	+15.5
COLOR#.....	302,914*	192,450	+57.4	330,016*	13,730,243##	11,150,879	+23.1
MONOCHROME....	99,891	124,943	-20.1	109,993	5,583,737	5,614,191	- 0.5
PROJECTION TV...	4,031	3,131	+28.7	3,658	140,611##	115,002	+22.3
HOME VCR.....	139,357**	64,700	+115.4	119,745*	3,997,471##	1,983,156	+101.6
COLOR CAMERAS...	18,353**	10,055	+82.5	12,741*	403,359##	290,304	+38.9

Color TV 5-week moving average: 1983--326,898*; 1982--241,787 (up 35.2%).

Home VCR 5-week moving average: 1983--126,822**; 1982--67,821 (up 87.0%).

Excludes projection TV. * Record for period. ** All-time record.

Exceeds full-year record.

KODAPHOBIA BRINGS 8MM OUT OF CLOSET: 8mm video hit the fan last week, splattering all over Las Vegas CES opening, with repercussions in such world video capitals as Indianapolis, Portsmouth & Tokyo. With premiere of Kodak's one-piece camera-recorder in new 8mm tape standard (see report below), most industry resolutions to soft-pedal, ignore or postpone introduction of new system went out window.

Preemptive strikes came last week from 2 major manufacturers. RCA, which last Aug. said it would have 8mm this year, then indicated doubt in Sept. (TVD Aug 15 p11, Sept 26 p12), added prototype of its own 8mm camcorder to news conference immediately following Kodak's — scheduled long ago by RCA for introduction of tiny MOS camera (details elsewhere in this issue) — and announced 8mm marketing for later this year. GE managed to get out press release on eve of Kodak's Jan. 4 event announcing it would have 8mm camcorder, and called Jan. 7 CES news conference to say it would be marketed this year. At June CES, it had said it had no timetable for introduction and in Sept. said its market research showed 8mm wasn't "real hot item" (TVD June 13 p18, Sept 12 p11).

Whether 8mm video will show up anywhere aside from Kodak booth was still uncertain as show prepared for official start. NEC, Sanyo & Toshiba had major displays for Betamovie camcorders, but no 8mm in sight — similarly there was no indication that such tape makers as TDK, Maxell, 3M or BASF were ready with 8mm cassettes. Prototypes & mockups, if they show up at CES, will be in hotel suites rather than exhibits, but 8mm and Kodak cast giant shadow in Las Vegas on eve of show opening (see reports from CES opening elsewhere in this issue). Sony last week flatly denied published report in Japan that it would market 8mm video this year.

First 8mm camcorder system publicly announced for sale was by Philips for European market later this year. Its unit, understood to have been designed with Matsushita assistance, looks nothing like Kodak version which is being made by Matsushita. In Philips unit, recorder component can be removed from camera section for attachment to tuner-timer-modulator. Nor does GE's 8mm camcorder, also presumably to be made by Matsushita, bear any resemblance to either Philips or Kodak models. GE gave few details except to say its 8mm would have autofocus.

RCA's 8mm camcorder, unlike Kodak or Philips, uses solid-state pickup — same MOS used in its new "Small Wonder" camera (details elsewhere in this issue). Where Kodak's unit is placed on its side in cradle to play through TV set, RCA's docks in separate modulator-charger with or

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production models, not prototypes. Though details of arrangement with Matsushita are set, he acknowledged that official contracts won't be signed until later this month. Matsushita spokesman also had denied company would have any involvement with Kodak's N.Y. meeting. However, several Matsushita technicians were on hand, presumably to take care of any equipment malfunctions.

JAPAN'S NOV. VCR EXPORTS TOP 600,000: Japanese passed group of VCR milestones in Nov. — the one of most interest here being exports to U.S. of more than 600,000 for first time in any month. In Japan, month also saw new production and domestic sales records.

Japan's U.S.-bound VCR shipments were up 202.6% in month to 640,000, easily erasing 559,200 record set in Oct., and breaking traditional pattern of declining shipments in closing 4th quarter months. At home, production hit 1.86 million, up 46.5%, to top previous 1.79 million high of last Sept., while domestic factory sales of 419,000 exceeded Dec. 1982 record of 368,000. Nov. exports brought 11-month shipments to U.S. to 4.79 million, up 106.2%.

In TV, total Nov. exports to U.S. climbed 101.3% to 130,500, putting 11-month total at 1.29 million, up 0.8%, first such cumulative year-to-year increase of 1983. Big gain came in color, with month's exports up 131.6% to 99,000, for full period total of 1.02 million, up 14.2%. B&W shipments were up 42.6% to 31,400 for month, but were down 30% to 269,000 for 11 months. In color, exports of complete sets jumped 145% in Nov. to 72,700, closed full period at 594,300, down 1.8%. Shipments of color chassis & kits were up 101.2% to 26,400 for month, up 48.3% to 424,800 for 11 months. Japan's color production also set record in Nov., as output rose 2% to 1.24 million from previous peak of 1.21 million in Nov. 1982.

SHARP BIDS FOR FREE ZONE: Sharp is seeking foreign trade zone designation for Memphis, Tenn. color TV & microwave oven plant, has said it will expand operation to include export activity if status is granted.

Foreign-Trade Zone Board said Sharp has agreed to accept same restrictions on use of imported color TV tubes as were imposed when FTZB granted zone petitions for Sanyo plant in Forrest City, Ark. and Toshiba facility in Lebanon, Tenn. Under those limits, Sharp will pay full 15% duty on any tubes it imports for sets assembled for sale in U.S. Normally, such tubes could be imported duty-free and would be subject only to regular 5% duty charged on completed sets when they left factory. No duty is paid on imported parts in sets that are exported.

In application, Sharp says if approval is granted it will add up to 125 workers to plant's present 740. Alternative, it says, is to expand in other countries.

Coleco eased debt problem when U.S. lenders agreed to change terms of its \$150 million credit line to drop requirement company eliminate all short term debt by Jan. 31. Coleco said current debt, to U.S. & Canadian banks, is \$100-\$150 million. Under new terms to be finalized soon, Coleco will pledge certain current assets to secure debt. Until now, credit line has been unsecured. Coleco said new loan arrangement will assure necessary financing through year's end, quash speculation company might experience severe cash flow problem.

Automotive CD digital audio players are being shown by at least 2 companies at Winter CES. Both Kenwood and Philips Audio will feature models, but both are prototypes, and no delivery date promises are being made.

NEC ADDS VHS TO BETA: NEC announced at CES that it would add VHS recorders to its Beta line in U.S. Company said it will continue to offer Beta VCRs and add new Beta models. Its Betamovie camcorder is premiering at Las Vegas show.

NEC thus becomes 3rd brandname to appear on both Beta & VHS recorders in U.S. — after Sears, and temporarily, Zenith, which will discontinue Sony-made Beta line. Zenith was previewing its first VHS models to invited guests in Las Vegas suite. NEC is expected to continue exclusively in Beta camp for domestic market in Japan, where Beta has substantial market share — its VHS recorders are for export only (TVD Nov 21 p15).

Semiconductor R&D co-op effort, through such multi-company ventures as Semiconductor Research Corp. and Microelectronics & Computer Technology Corp., plus growth of in-house production by major users, will help ease "cutthroat" competition among U.S. IC makers, help blunt market penetration drive by Japan, according to Frost & Sullivan study. As for market, it sees IC sales in U.S. climbing to \$18 billion by 1987, from \$8 billion last year. Shipments of solid state devices of all types are seen jumping to \$21.3 billion from \$13.9 billion. F&S said shipments of captive producers will nearly triple to \$10 billion by 1987, while sales by merchant suppliers double to \$21.3 billion. Details: F&S, 106 Fulton St., N.Y.C. 10038.

CBS Software is on computer program joint-development binge. At Winter CES, it will be introducing educational software created in cooperation with Neosoft, self improvement program with Thoughtware, children's programs with Fred (Mr.) Rogers and Joyce Hakansson Assoc. (formerly with Children's TV Workshop).

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EIA FORECASTS: Opening CES conference in "Outlook '84" series Jan. 7 heard what everyone wanted to hear, EIA Chmn. William Boss, RCA, jubilantly reporting in his prepared remarks that business in virtually every consumer electronic product far outstripped forecasts in 1983 and that consensus is for even better business in 1984.

Consumer electronics was \$19.2 billion business in 1983 factory sales and is expected to increase 16% to \$22.3 billion this year, according to EIA data released for session. Industry's traditional products (excluding home computers, videogames and their software and telephones & accessories) grossed \$13.2 billion last year, will rise 8.3% to \$14.3 billion in '84, consensus indicates.

This year, EIA is releasing dollar as well as unit figures by category. They show that VCR dollar volume last year was 43% of color TV volume, and project that it will be 50% this year; that videodisc sales will be twice as high as videodisc players in dollars this year. EIA sees firming of color TV prices, Boss said, "reflecting in part the trend toward high-end TV monitors and the multiple-set home..." Average factory price is seen rising to \$373 this year from \$360 in 1983, as compared with \$374 in 1982.

In data released at CES, EIA indicated it will count camcorders in its statistics as portable VCRs, but not as cameras, and that monochrome TV figures exclude those without picture tubes — LCD sets such as those by Casio & Seiko.

Here are EIA's consensus forecasts for 1984 coupled with projections for full-year 1983 (unit sales to dealers in thousands, factory value in millions):

VIDEO

Product	Units	Value	Av. Price
Color TV.....	1983 13,900	\$5,000	\$ 360
	1984 14,200	5,300	373
Projection TV..	1983 145	275	1,896
	1984 165	350	2,120
B&w TV.....	1983 5,800	465	80
	1984 5,500	440	80
Total VCR.....	1983 4,150	2,150	518
	1984 5,500	2,650	482
table VCR....	1983 3,400	1,600	471
	1984 4,500	1,925	428
portable VCR.	1983 750	550	733
	1984 1,000	725	725
Color cameras..	1983 400	280	700
	1984 550	365	664
V'disc players.	1983 300	75	250
	1984 500	125	250
Blank cassettes	1983 57,000	485	8.50
	1984 77,000	590	7.66
Recorded cass..	1983 9,500	--	--
	1984 14,000	--	--
Videodiscs.....	1983 8,000	150	18.75
	1984 12,000	220	18.33

AUDIO

CD players.....	1983 35	15	429
	1984 150	60	400
Sep. components	1983 --	1,250	--
	1984 --	1,300	--
Systems*.....	1983 2,950	650	220

AUDIO (continued)

Product	Units	Value	Av. Price
Systems*.....	1984 3,125	680	218
Portable tape..	1983 24,250	1,100	45
	1984 25,250	1,150	46
Home radio.....	1983 38,500	540	14
	1984 37,300	560	15
Autosound equip	1983 --	1,446	--
	1984 --	1,465	--
car radios...	1983 13,000	1,100	85
	1984 13,500	1,200	89
Blank cassettes	1983 215,000	230	1
	1984 225,000	240	1

COMPUTERS & GAMES**

Home computers.	1983 4,300	1,890	440
	1984 6,600	2,640	400
Prog. videogame	1983 6,650	760	114
	1984 5,000	450	90
Home comp. s.w.	1983 54,700	800	15
	1984 84,500	2,100	25
Game cartridges	1983 75,000	1,400	19
	1984 74,300	1,500	20

PHONES & ANSWERING DEVICES***

Total phones...	1983 19,701	925	47
	1984 31,000	1,275	41
cordless.....	1983 4,700	400	85
	1984 6,000	450	75
corded.....	1983 15,000	525	35
	1984 25,000	825	33
Phone answerers	1983 2,200	190	86
	1984 2,900	250	86

* Compact & component systems, excluding console phonos.

** Input by Frost & Sullivan, Mackintosh International, Venture Development.

*** Input by Mackintosh, Venture.

Penetration estimates for consumer electronic products, as presented by Boss for EIA:

TV 98%, color 90%, monochrome 75%, projection 1%, VCR 10%, videodisc players 1%, programmable videogames 21%, home computers 7%, audio systems 80% (compacts 44%, components 33%, consoles 20%), phone answerers 3%, cordless phones 7%, home radios 95%.

* * * *

RCA's forecast of industry sales for 1984 (in millions of units, 1983 in parentheses): Color TV 14.5 (14), VCR 5.5 (4.1), cameras 0.65 (0.4), videodisc players 0.5 (0.3). As presented by Consumer Electronics Vp-Gen. Mgr. Joseph Donahue, RCA sees 1984 color TV mix as console 20.5%; big screen portable-table 5.9%; 19-20", 45.5%; 15-18", 2.6%; 13-14", 19.1%; 12" & smaller 6.4%. Donahue forecast that 37.4% of color sets would have remote control, up from 25.4% in 1980, including 53.4% of consoles (vs. 32.2% in 1980) and 32.5% of portable table (vs. 23.8%)

Radio Shack retail sales rose 11% in Dec. to \$414.7 million, Tandy reported. Month's rise rate trailed sales growth of 14%, to \$1.29 billion, posted for full fiscal first half.

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NEW FACE ON CES: It may be same old show but it has whole new look. Dropouts and exhibit expansions have put different face on Winter CES which opened at Las Vegas at last week's end.

Most striking change apparent on pre-opening tour was absence of Panasonic from its traditional main floor front row center position. Entire front row has been overhauled, is now dominated by giant Sony Tape, Fisher, Sanyo & GE exhibits. GE in particular has gone all-out with hi-tech booth that includes floor show.

VHS Hi-Fi is being launched at show by, among others, GE, Hitachi, Quasar & RCA. Panasonic, which has audio exhibit in main hall, side exhibit for other products, won't be joining sister company Quasar in launch, but will be holding private demonstrations, discussing availability of slaves with duplicators. JVC, a principal inventor of VHS Hi-Fi, won't be showing either. It isn't exhibitor, isn't even holding its customary hotel suite demonstrations.

Other former floor-space gobblers not at this show include Magnavox, Morse & Sharp, but their absences leave no gap in exhibit hall. Korean & Taiwan TV makers have expanded to take care of any vacancies, though dropout of Taiwan's Sampo is something of surprise. Gold Star is showing its first 25" consoles, and along with fellow Korean Samsung displaying VHS VCRs while Daewoo (corporate) is showing Beta. VCRs, we were told, are for demonstration only and sales won't start until next year. Taiwan's Tatung is showing expanded VHS line.

Pocket b&w TVs are also very much in evidence. Casio is adding 2nd version of its 2.75" LCD, this one with FM-AM and without backlight, at \$299. Japan's Citizen Watch is showing 2.7" pocket LCD TV it expects to offer at about \$200. Sinclair is saying flat tube 2" TV, now selling in UK for about \$110, will be on market here in 2nd half.

On videogame front, Mattel is adding 3D game for TV, will pack special glasses with each cartridge. It's also adding Colecovision cartridges to library it offers for other game formats. Milton Bradley put \$50 price on helmet with rotating glasses needed for 3D games played on self-contained Vectrex system, added light pen at \$40. Coleco is introducing group of peripherals for Adam computer, including disc drive, tractor feed for printer, modem, signed deal with Digital to offer Personal CP/M for compatibility with wide range of software. We'll have full details on show & new products next week.

Williams Electronics, arcade videogame manufacturer, said it's omitting quarterly dividend because of continuing losses. It said it expects to report pre-tax \$5-\$6 million operating loss this week for quarter to Sept. 7. Company is negotiating to sell some coin-op game division assets to Bally.

Showtime Video Ventures enters OEM market, supplying video accessories to Magnavox and BSR (Japan). Magnavox products will include audio-visual processor, mini camera enhancer, mini color processor; BSR's Japanese subsidiary will market 6 products made by Showtime.

MTS STANDARD FAVORED: FCC's proposal to let marketplace choose multichannel TV sound transmission (MTS) standard was opposed by broadcasters and most others filing comments, but endorsed by pager manufacturers in comments filed at Commission.

FCC is expected to receive staff recommendation that it depart from its deregulatory policy to adopt single standard recommended by EIA MTS Subcommittee after 4 years of deliberation & testing (TVD Dec 26/83 p12). First round of comments contained no real surprises; reply deadline is Jan. 30, when Subcommittee plans to file recommendation strongly urging that Zenith system with dbx companding be specified.

However, filings by radio pager manufacturers endorsed marketplace approach as most effective use of spectrum, giving them more flexibility in using aural baseband for burgeoning paging business. Up to 7 paging channels could be derived from TV aural baseband, said Telocator Network of America, independent radio common carrier industry group.

Networks commenting stopped short of endorsing EIA recommendation but said FCC should be "guided" by its findings. CBS came closest, argued parameters used by EIA Subcommittee resulted in best configuration for minimizing interference with visual TV signal. ABC said it was "skeptical" that marketplace approach "will result in the most expeditious institution of new services."

NCTA directed comments to must-carry question in fat filing that contained summary of its test results showing MTS can cause serious signal degradation for some cable operators. Although NCTA voted for Zenith in EIA polling, Assn. told FCC "none of the 3 proponent multichannel sound systems can be easily handled by cable systems" and argued cable operators should be allowed to make own decisions whether to carry MTS.

Mattel will sell its controlling interest in IC maker Solid State Scientific to Penn Central. PC announced it was exercising option under agreement it made with Mattel last Nov. (TVD Nov 21 p12). Mattel will get same \$12.3 million it paid for those shares earlier last year. PC said it will follow share purchase with proposal to acquire remaining shares for \$9.6 million, or same \$6.11 per share it's paying Mattel. PC is already in electronics components as parent, through subsidiary GK Technologies, of Sprague. For Mattel, sale is continuation of its disengagement from electronics and part of effort to raise cash to meet debt payments by liquidating operations. Last month, it agreed to sell Western Publishing for \$75 million.

Commodore scrubbed plan for Winter CES introduction of new home computer that uses Unix operating system, is unveiling instead line of enhanced consoles compatible with software designed for model 64. New computers also will have built-in software. Holdback on new computer family, it's understood, reflects concern for adequate supply of software & peripherals, as well as uncertain reception by dealers.

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Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available at press time. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
Chris-Craft Industries			
1983-qtr. to Nov. 30	44,265,000	2,726,000	.38
1982-qtr. to Nov. 30	23,045,000	2,596,000	.35
Jones Intercable			
1983-6 mo. to Nov. 30	4,663,600	909,000	.11
1982-6 mo. to Nov. 30	3,125,300	931,300	.11
1983-qtr. to Nov. 30	2,476,600	475,100	.06
1982-qtr. to Nov. 30	1,630,100	401,100	.05
A. C. Nielsen			
1983-qtr. to Nov. 30	171,088,000	11,718,000	.52
1982-qtr. to Nov. 30	161,529,000	9,938,000	.44

Notes: ^aRestated & adjusted. ^bIncludes special credit & adjusted. ^cAdjusted.

Consumer Electronics Personals

Bruce Allan, ex-video systems product planning dir., promoted to strategic planning dir., RCA Consumer Electronics... **Robert Mehl**, ex-Sony, joins NEC Home Electronics Video Products Div. as SE district sales mgr.; **Mark Hardy**, ex-National Electronic Corp., named for SW... **Michael Wertman**, ex-Gusdorf, joins Furniture Concepts International (FCI) as senior vp, sales & mktg.

Robin Huff joins Alpine Electronics as mdsg. mgr... **Bert Mazzaca** named Akai eastern regional sales mgr... **Dan Kraines** appointed asst. to Kraco pres. **Larry Kraines**; **Robert Bandell** named asst. sales vp... **Art Levis** promoted to editor-in-chief, Consumer Electronics magazine... **James Hackett** named Billboard finance & administration exec. vp.

Charles Digate, ex-TI European Home Computer Div. mgr., joins software marketer Lotus Development as European software mktg. mgr... **Joanne Koltow** named Broderbund educational software editor, new post.

Lisa Harman, ex-Columbia Pictures, joins RCA/Columbia Pictures Home Video as planning mgr... **Gary Rockhold** promoted from exec. vp to pres. of Denver video distributor Commtron, replacing **Jack Silverman**, now chmn. & liaison officer to parent Bergen Brunswick... **Alex Petchkin**, ex-3M, named Disney Home Video Canadian sales mgr., new post; **Robert Roberts**, ex-Micro Courseware, joins as midwest regional sales mgr., replacing **Richard Longwell**, promoted to national sales mgr... **Robert Glick** elected pres. of National Video's Advisory

Council.. Glen Zimmerman appointed eastern regional mgr., Family Home Entertainment.

Appointments at Vestron Video: **C.J. Kettler**, ex-Stochastic Productions, to Children's Video Library vp; **Sheldon Rabinowitz**, ex-Itel, to controller; **Anne Templeton**, ex-CBS/Fox Video, to international mgr.; **Maurie Perl**, ex-Entertainment Channel, to national press mgr.; **Sharon Streger** promoted to creative services dir.; **Susan Senk**, creative services vp, moves to London for year to help organize European operation.

Atari's status in long term is clouded by publisher Rupert Murdoch's attempt to secure control of parent Warner Communications. Murdoch told SEC he'll seek up to 49% of Warner. He's believed to be interested primarily in Warner's film library and segments of its cable TV operation. Speculation is that he'd spin off or sell other units, including Atari, if he takes over (for details on aspects of unfriendly acquisition, see report in front section of Television Digest). Though Atari joined rest of computer-game industry in taking red ink bath during last 18 months, company has restructured to reduce costs, plans expansion into home telecommunications.

Taiwan exports final 1983 figures will show electronic & electrical equipment & parts shipments jumped 40% to \$4.9 billion, marking return to growth after 6% slip to \$3.91 billion in 1982, Taiwan Electric Appliance Assn. said. Shipments in 1982 were held down because of quota on color exports to U.S. Color TV, electronic telephones, calculators and computer peripherals were growth leaders last year, TEAA said.

ITA gave out 33 Golden Videocassette Awards in U.S. last year, up from 11 in 1982, along with 12 Golden Videodisc Awards, up from 5. Videocassette award is for minimum of \$1 million in wholesale sale & rental revenue, discs need \$1 million in sales at retail list. In Canada, where award program was started last year, 46 videocassettes sold gold, each representing at least \$150,000 at wholesale.

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ZENITH'S VHS LINE: Zenith will "come out swinging" in VCR when it introduces new 5-model VHS line to distributors at Feb. 12 meeting in Phoenix, Chmn. Walter Fisher told us last week in Las Vegas, where company had invitational preview of its new VCRs.

In Japan, it's reported that JVC will supply 30,000-40,000 VCRs monthly to Zenith starting next month, with total expected to reach 300,000-400,000 a year, which could bring Zenith's market share as high as 8%. Reportedly, Zenith's Beta line had dipped to around 3% of U.S. market in 1982 from nearly 7% in 1980. It's understood Sony had been supplying Zenith with about 100,000 units annually.

Line was previewed for major accounts so they could see it before they made final commitments on VCRs. Fisher and Senior Sales & Mktg. Vp Gerald McCarthy said reaction exceeded their expectations — "it's creating the same kind of impact as our introduction of the Chromacolor tube," said Fisher.

New line includes VHS Video Movie, camcorder using VHS-C 20-min. cassette, still the lightest one-piece unit yet demonstrated (4.6 lb. with cassette & battery), 8mm notwithstanding. It will be available in June, rest of VHS line in March. It has f1.2 lens, 6:1 zoom, speed search, 30-min. battery (45 min. optional), will be packed with RF unit and charger, will sell at about \$1,500, competitive with Betamovie.

Rest of line shows strong Zenith input, differs markedly from other JVC-made product. Although prices weren't announced, Fisher said Zenith will be "aggressively competitive" in VCR, with sizeable ad budget, but promised "no price wars."

All Zenith models have 4 video heads, are front loading, and all wireless remote controls will also operate any Zenith TV set with infrared wireless remote made since 1979. Leader model, unpriced but expected to sell for under \$600, has 2 recording speeds, 3 playback, 14-day one-event timer, "instant record" feature in 30-min. increments for automatic turnoff. Wireless remote is optional.

Stepup has 136-channel tuning, 14-day 8-event timer, keypad tuning, tape remaining counter, full function wireless remote. VHS Hi-Fi model has stereo on both longitudinal & helical tape tracks, 4 audio outputs for both stereo modes, provision for mixing & fading audio, clean special effects and other features of stepup. Unit has port for stereo broadcast adaptor. Fold-down door has membrane panel for secondary controls (timer, etc.).

Two-piece portable has docking system to attach deck to tuner-timer without cables — units dock side-by-side without using tray base employed in RCA convertible. Portable is full featured, deck weighing 6 lb. without battery, has 4-event 8-day timer, 136 channels, insert edit capability. Zenith also has JVC-made camera weighing 3 lb. 2 oz. with 1/2" Saticon, f1.2 lens, 10 lux sensitivity, power zoom, stereo mike. Character generator, with scroll & zoom features, 18 pages storage, is optional extra.

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NEC's new VHS line also will be JVC made, but assembled by NEC, at least temporarily until NEC sets up own VHS manufacturing facility. As

previewed in NEC suite in Las Vegas, company probably has biggest VCR line in industry, with 9 models — 4 Beta, 4 VHS, plus Betamovie. Its Beta models start slightly below its VHS, at \$599. VHS price points are \$645, \$750, \$950 & \$1,500, last being VHS Hi-Fi scheduled for Sept. introduction.

Mitsubishi's first private-label customer is Emerson Radio, which expanded into video last year with line of color TVs from Korea's Gold Star. At CES, Emerson was offering deck with 10-function wired remote, 3 event 14-day timer to retail at about \$599. Coming later will be similar unit with 25-function wireless remote at about \$650. Emerson gives substantial discounts to volume buyers, and actual selling prices could be significantly lower.

Atari and founder Nolan Bushnell are together again, in part at least, through licensing agreement which will give Atari right to market products designed by Bushnell's robot producing subsidiary Androbot. Details weren't disclosed, but it's understood Atari will market robot that can be programmed or controlled using Atari computers & videogames. Bushnell, meanwhile, is behind launch of yet another high-tech consumer electronics venture, Cumma Technology, which plans to offer in-store Metawriter cartridge programming system free to retailers in exchange for floor space. Blank programmable cartridges for most popular videogames & computers are to retail for about \$30 each. Cartridges are inserted into console for programming at \$3-\$30 per game. Location owner gets 30% of program revenue. Console has color TV display showing selections available in each format, gives screen sample and playing descriptions, operating instructions, spits out printed receipt. Company claims it already has rights to 70 titles from 6 suppliers, expects to have 200 games by year's end. CT plans test with 25 units in San Francisco next month, says it will have 3,000 consoles in place by Christmas, announced agreement for European distribution. CT is in competition with Romox, which has been leasing similar consoles to retailers for \$200 monthly, and newly formed Xante, which plans to offer consoles for sale at \$15,000 each.

Challenge to videodisc use as quality graphics generator for coin-op videogames is being mounted by General Instrument. It's now demonstrating its Agile (animated graphics imaging through list execution) full-motion interactive 3D graphics display system to potential customers. Agile can be used to create games as well as display them, offers 256 gray shades, 4,096 color hues. First product will be complete arcade terminal selling at under \$5,000, to be followed by boards and chip sets.

Megabit RAM development has been announced by Hitachi, and company says it could be on market within 4 years. Device has 4 times storage capacity of 256K RAM, largest capacity memory IC now available, and is generally considered chip needed for ultra compact high-speed computers and to make such features as high resolution pictures and freeze frame low-cost options for TVs. Hitachi said it spent half its \$860 million R&D budget on its development last year.

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WCES COMPUTER SCENE: What was said — rather than what was shown — provided most home computer highlights at Winter CES in Las Vegas, as 3 industry leaders met with security analysts. Atari Pres. James Morgan said firm would be profitable in 1984, but continue to show loss through first half. Coleco said it will show loss in final 1983 quarter, but expected "quick return to profitability" in opening 1984 period. Commodore, said Pres. Jack Tramiel, had sales of more than \$425 million in 2nd quarter to Dec. 31, net of at least \$49 million, both more than double those of same 1982 period. Note: Tramiel resigned "for personal reasons" as we went to press last weekend.

In first public meeting since taking over Atari reins last summer, Morgan said he was revamping organization. Among steps already taken are management structuring, product targeting and construction of single building to house nearly all hq employees. Overhead expenses, he said, are now down 40%, and return & price protection programs have been stiffened. Last year, he said, Atari had to take back \$100 million of goods "and 75% of returns weren't defective." As for dealers who balk, "we will walk from any customers we have that won't accept our new policy."

Focus has been creative & product problem, Morgan said, noting he had to change attitude that Atari "can be everything to everybody and spend that way." Both home videogames & computers are facing long-term creativity problems, he stressed. On games, "America is mazed out and shot out. If Atari or somebody else can't figure it out, the videogame industry will go bye-bye." As for computers, "not one company has yet gone to the American public with a compelling reason to buy." Most sales today have been based on prices "so cheap you can't afford not to have one" and on fear kids will be left behind. As for practical uses, word processing is only one of top 5 that isn't "easier to do with a pencil & paper."

Morgan said he expects game market to stabilize in 3rd quarter, after cartridge market glut eases. On computer competition from IBM, Morgan said that while "they can mutilate anybody," he questions "whether a company built on serving industrial customers can change its own culture" enough to be a consumer market force. Japanese, he said "are always a force to reckon with." Computer market now "is stronger than anticipated," and in 4th quarter "Atari undershipped by a lot more than 40%" against orders for 600XL & 800XL computers. Rate of new orders at show means shortage will continue through first quarter, Morgan said, adding he's being "production conservative" as "a lost sale is more profitable than having one too many."

Ataritel's first telecommunications product won't be out until 2nd half, nearly 9 months behind schedule, Morgan said. He took responsibility for delay, said switch was made in markets "because our product committee decided the first product shouldn't be our most ordinary." On coin-op area, Morgan said Atari had highest market share in its history and was profitable in 1983. Atari showed little in way of new product at CES, Morgan said, in keeping with new policy of not introducing anything until it's ready to be shipped.

Coleco said it built disappointingly low 95,000 Adam computers in 1983, far cry from introduction target of 500,000, and 1/3 less than 140,000 promised in Nov. Coleco said it has solved all production problems, is ready to turn out 140,000 monthly.

Emphasis at Coleco's news conference was on ranks of unaffiliated software suppliers that will be making programs available either for Adam or Colecovision game consoles — Adam will accept & run game cartridges. There also was rundown on new Adam peripherals, including disc drive. Price of basic Adam computer system — CPU, keyboard, tape drive & printer — was boosted to \$700 at start of year, and addition of disc drive would raise consumer cost to more than \$1,000, putting Adam up into class of similarly equipped Atari 600 XL & Commodore 64 systems.

Commodore was only company with major hardware entries, showed console models 264 & 364V (for voice) which will have software included and retail in \$300-\$500 range when introduced in April, plus new portable. Tramiel said Commodore hit \$1 billion in microcomputer sales in 1983, becoming first company to hit "this milestone sales level," estimated there were now 3.5 million Commodore computers in use.

In computer software, emphasis at exhibits was on functional or thinking type programs rather than pure entertainment, while game marketers were expressing view market had bottomed out and only question was how high could it bounce back. In keynote talk at software conference, Atari's Don Kingsborough cited Gallup poll indicating consumers would buy 4-8.8 million game consoles this year, added "doomsayers talk more than they think." But panelist retailer Joel Gilgoff (G.A.M.E.S., Van Nuys, Cal.) said games were dead issue in his area last year. There was total agreement that computer software market would fly, but not on direction. Several panelists called for more standardization, expressed hope Japanese MSX format would bring it. That probability was discounted by Kaypro's David Kaye, who said MS/DOS is standard that's here now. "Let's just accept it and get on with it."

Prices on once prohibitively expensive peripherals are dropping rapidly. Some examples: 300 baud modem from TG at \$89; light pen with software from Tech-Sketch at \$40; dot matrix printer from Axiom at \$299; trakball control from Accu at \$40.

MGM/UA Home Entertainment reported 29.2% earnings rise to \$10.3 million in opening fiscal quarter to Nov. 30 on 31.8% revenue gain to \$43.8 million. Holders approved increase in authorized common shares from 50 million to 75 million, and company said new shares could be used for acquisitions, financing, stock splits or other corporate purposes.

Ad notes: JVC account has been resigned by Marsteller. JVC has been reviewing agencies since Oct... Phone-Mate appoints J. Walter Thompson, replacing Chickering/Howell... Atari appoints Doyle Dane Bernbach for Arcade Game Div. and service centers, replacing Young & Rubicam.

MORE DISC ENTRIES? "We've reached the point right now where other manufacturers may be considering entering videodisc player marketing," commented RCA Videodiscs Vp Gen. Mgr. Arnold Valencia last week at CES, where RCA talked of sharply improved sales.

There was some evidence that RCA's competitors were again thinking videodisc. At CES Video Conference, JVC Mktg. Vp Harry Elias seemed to agree with RCA's new "value" philosophy when he said: "videodisc is at a mass market price point. The market is middle income people, and price is the key. We definitely expect a good increase in sales. JVC as a company has to look at it now." JVC developed VHD disc system, which it's marketing in Japan.

Other companies are looking, too, but for new uses of disc. At meeting during CES, Coleco Pres. Arnold Greenberg said company plans to have interactive videodisc game for Adam computer on market this year and expects to have own-brand disc players. Greenberg said Coleco hadn't yet settled on system, and was talking with potential suppliers. As Adam system lists at just \$700, lower price gives CED edge over Laservision system. RCA, it's understood, is willing to provide Coleco with customized player.

Next generation of RCA disc players is scheduled for introduction in 1985, Valencia said. However, he indicated to us that new commercial-industrial interactive player would be introduced next fall.

RCA Group Vp Jack Sauter said high-end interactive disc players were sold out in 1983. "We ended the year stronger than we anticipated," said Valencia — "there are shortages of players at retail." All promotion this year will push "value" theme — players at under \$200, discs at \$19.98 — with ad budget almost entirely at local level, including 100% company-paid dealer-listing ads. Software catalog of low-priced hits will be issued this month, followed by new edition in March.

Parade of special promotions for discs & players will continue through 1984. Ad & Mds. Vp Herbert Mendelsohn outlined some of them: Jan. 12-March 17 feature will be coupon book good for \$100 toward discs — including coupons worth \$10 & \$5 off specific titles, \$2 off any title. Free financing deal over 12 months will be continued, but now will include lowest-priced players. Retail salesmen will get \$5-\$25 spiffs plus chance to participate in cash sweepstakes. Mendelsohn said "stereo 6-pack" promotion sold 5,000-10,000 players to "audience not particularly conducive to stereo music."

Sauter called CED disc system "very viable business." Valencia reiterated that scheduled breakeven year is 1986 for both players & discs. In answer to question, he said 1984 was "not necessarily" critical year for disc. However, "it looks like the year of the breakthrough we have been looking for in consumer support will make it a real business — even with only one manufacturer." In answer to question, Sauter indicated \$199 player isn't profitable, price being based on "future cost-reduction program."

Total sales to dealers of players for both videodisc systems come to about 720,000 units to

date, based on EIA figures. EIA consensus is for sales of about 500,000 players this year. Year-by-year sales estimates: 1980 — 40,000; 1981 — 157,000; 1982 — 223,000; 1983 — 300,000. Through first quarter of 1983, EIA had been collecting player sales data and releasing them to participating manufacturers. However, in 1983, RCA exercised privilege of invoking EIA's security provision barring their release (permitted to any company with more than 50% share of any product's total sales), so figures are no longer released — although they're still being collected.

99/A, AQUARIUS PLANS: Owners of discontinued TI 99/A and Mattel Aquarius computers may not end up with total orphans on their hands. TI is turning job of software development over to outsiders, while Aquarius could be revived by its Hong Kong manufacturer Radofin.

In moving to finalize disengagement from home computer market, TI is negotiating to have other software manufacturers take over production of new programs for 99/A computer, making proprietary GROM (graphics read-only memory) software available to them through license or on programmed chips. GROM must be included in cartridges for them to run on late production models of 99/A. Imagic is taking over distribution of its software for TI computers and TI has transferred rights to Walt Disney games to Sierra.

Under tentative agreement, March Direct Mktg. subsidiary of McCann-Erickson will acquire TI's million-name 99/A mailing list, make it available to manufacturers and publish quarterly software & peripherals catalog. TI recently laid off 500 computer workers at Abilene plant where cartridges were produced. That trimmed force there to fewer than 1,000 from 2,500 employed at end of Oct., just before TI announced it was dropping 99/4 computer and quitting home market.

Mattel turned over all rights to Aquarius to Radofin as part of settlement. Radofin currently markets 4K unit in U.K., says it will appoint U.S. distributor by March, also expand international sales to most of Europe and Mid-East. It plans to introduce step-up model, disc drive, memory expanders and other peripherals by end of first quarter, 64K version in 2nd half. Mattel is continuing to market Radofin-made computer expansion modules for Intellivision videogame console.

DBS receiving equipment will be sold in Japan by Matsushita starting in late Feb. in anticipation of start of broadcasting in May from NHK satellite scheduled for Jan. 23 launch. Three systems will be offered — with .5-m dish at about \$450, .75 m at \$470, 1 m at \$550, with larger and more powerful installations by year's end.

Bally spent more time than expected debugging NFL Football arcade videogame that uses RCA CED disc (TVD Dec 5 pl2), had only delivered about 1,000 units as of Christmas. "It was a little disconcerting," said source. "They were a little too optimistic."

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OFFICIAL 1983 SALES FIGURES

Final & official EIA statistics on consumer video sales to dealers for 1983, with 1982 & 1981 comparisons, and for year's final week:

	FULL YEAR 1983	FULL YEAR 1982	% CHANGE	FULL YEAR 1981	DEC. 24-30	1982 WEEK	% CHANGE
TOTAL TV#.....	19,683,533*	17,131,568	+14.9	16,698,283	369,653	366,498	+ 0.8
COLOR#.....	13,986,092*	11,366,334	+23.0	11,157,334	255,849*	215,455	+18.7
MONOCHROME....	5,697,441	5,765,234	- 1.2	5,540,949	113,704	151,043	-24.7
PROJECTION TV...	143,506*	117,253	+22.4	121,650	2,895	2,251	+28.6
HOME VCR.....	4,091,321*	2,034,797	+101.1	1,360,988	93,850*	51,641	+81.7
COLOR CAMERAS...	413,614*	295,949	+39.8	189,770	10,255*	5,643	+81.7

Color TV 5-week moving average: 1983--308,401*; 1982--231,221 (up 33.4%).

Home VCR 5-week moving average: 1982--120,359*; 1981--66,335 (up 81.4%).

Excludes projection TV. * Record.

DIMENSIONS OF RECORD 1983: Every video product shattered records — except monochrome TV. That's story of 1983 as shown in official EIA sales-to-dealer figures (see box above). If current pace continues — as shown by 5-week moving averages — sales of VCRs and color TVs will be limited by supply in first quarter.

In color TV, every month except Jan. set record for that month in 1983, with 41 of 52 weeks setting high for that specific week of year. Boom gathered momentum as it went along, sales for Jan. running at 12.7 million annual rate, accelerating through Dec., when seasonally adjusted rate was nearly 15.3 million. By quarters, annual rate for first was 12.9 million, 2nd 13.8 million, 3rd 14 million, 4th 15.1 million.

VCR sales set weekly records every week in 1983 — in fact, every one of last 82 weeks established new mark for that week. VCR sales in 1983 were up 101.1% from 1982. In terms of seasonal performance based on historic sales data, 2nd quarter was best, at annual sales rate of 4.65 million, with first at 3.8 million, 3rd 4.3 million, 4th 3.85 million. Dec. saw sales surge, rising to rate of just over 4 million, about same as full-year sales.

About one million of 1983's VCR sales were portables. While cameras set record at 413,614, sales were equivalent to only about 40% of portables sold. In 1982, camera sales totaled 295,947, about same percentage of the 750,000 portables sold then. Projection TV established new record of 143,506, up 22.4% from 1982 figure and 18% from previous record set in 1981.

Inventories of both color & VCR were low going into 1984. In color, total pipelines (factory plus distributor stocks) came to less than 2.42 million sets at year's end — lowest level since April 1981 — down 9.2% from year earlier and representing only 8 weeks' supply if Dec. rate of sales increases continues into new year. At factory level, inventories totaled just under 1.37 million, down 16.8% from year earlier; distributors' stocks were up 3.2% to just over million.

If VCR keeps up full head of steam, pipeline inventories of 547,000 (up 8% from year earlier) are equal to less than 6 weeks' supply. Factory inventories of under 368,000 are up 15% from end of 1982, while distributors hold 179,000, up 24.9%.

All-time records for any month were set in Dec. by VCR, color cameras and projection TV. Color just missed matching all-time high month (Sept. 83) in Dec. by 35,000 sets. Here are EIA's statistics on sales to dealers for Dec.:

GE PROFITS UP: GE said consumer products were an important contributor to 10.5% earnings gain reported for final quarter and 11.4% rise for year. Sales, however, were essentially flat, slipping 0.4% for quarter, edging up 1.1% for full period.

GE said TV Div. was "slightly profitable" for year on operating basis as gains from "higher volume for color TV & VCRs and increased productivity" more than offset effect of lower prices. However, unit had "sharply reduced" net loss after inclusion of increased "program expenses for new technologies." In audio products, GE said, "sales rose, driven by higher telephone & tape volume, but earnings declined, in part due to lower prices and higher costs." Big improvement, GE said, came in major appliances, which had "substantially higher" sales, doubled profits. GE said that despite "strong demand for ICs and other electronic devices" its industrial electronics business had \$40 million loss, reflecting "large development expenses" in factory automation.

Matsushita earnings on parent-only basis edged up 1.9% to \$414.8 million on sales rise of 9.9% to \$11.5 billion in year to Nov. 20. Company said growth in VCRs offset sluggish demand for color TV, resulting in 11% rise in video equipment sales to \$3.59 billion. Improvement in export demand helped audio volume, which declined just 3.2% to \$1.22 billion. Sales of electronic components jumped 26.9% to \$1.52 billion. Matsushita said export sales were up 18.5% to \$7.62 billion, while sales in Japan rose 14.3% to \$3.94 billion.

Thorn EMI said pre-tax net doubled to \$78.7 million in fiscal first half to Sept. 30. Company said new Screen Entertainment Group — video software & film activities — showed profit in period, against loss last year, and improved results were posted by N. American & U.K. music operations. Company said consumer durable business was up, and while TV sales & rental business continued at high levels and showed improved profits, there was seasonal reduction in demand for VCRs from sale & rental markets compared with 2nd half of preceding fiscal year.

Sierra On-Line had sales of about \$12.5 million last year, or 25% increase. Company said unsettled conditions in computer & videogame software market kept it from achieving goal of doubling sales to \$20 million. It noted that word processing software now provides 50% of sales. In 1982, company got 70% of sales from games.

Korean computer equipment manufacturing & sales venture is being set up by Hewlett-Packard & Samsung. Company, to be 55% owned by H-P, will develop, make & sell in Korea variety of computer products, market H-P computer line. H-P said it has no plans to transfer any U.S. manufacturing operations to Korea.

RCA distribution change: RTA Distributors, Albany, drops RCA line, adds Sanyo. RTA's former territory for RCA will be split among current RCA distributors — Morris Distributing, Rochester; ESCO, Boston; Commercial Distributors, Portland, Me.; RCA Distributing, N.Y.

JAPAN'S OUTLOOK: Value of Japan's electronics output rose 14.5% last year to \$53.2 billion, is in for 11.4% boost in 1984 to \$59.2 billion, will exceed \$60 billion with help of new products not factored into totals, according to EIA-Japan.

Parts & components will continue as growth pace setter. Production was up 17.9% to \$17.7 billion in 1983, should rise 15.2% this year to \$20.4 billion. Production of industrial equipment and computers, seen as having increased 17.2% to \$19.2 billion last year, is expected to be up 13.2% to \$21.7 billion in 1984. Consumer electronics is expected to rise just 5% to \$17.1 billion this year, following 1983's 8% increase to \$16.3 billion.

In consumer sector, EIA-J says 1983 VCR production was up 35.5% to 17.8 million, predicts rise of 16.3% this year to 20.7 million. It says value of production was up 16.3% to \$6.41 billion, and sees increase of 9% to \$7 billion in 1984. Figures indicate EIA-Japan expects continuation of decline in average factory prices of about 6%, with typical VCR valued at \$338 this year, against \$360 in 1983.

In color TV, EIA-J said production rose 5% in 1983 to 12.78 million, though output value slipped 0.2% to \$2.93 billion. For this year, production is expected to total 12.7 million, off 0.6%, with value down 1.8% to \$2.87 billion. So color forecast too anticipates average receiver value decline, though only about 2%, from \$229 to \$226. In audio, 1983 production was up 4.7% to \$5.66 billion, and outlook for this year is for 5% rise to \$5.94 billion.

* * * *

Japan's VCR manufacturers are more than ready to increase production to levels needed to meet or exceed that EIA-J forecast. Matsushita now has capacity to turn out 500,000 monthly, 40% higher than at start of 1983. JVC is up 20% to 300,000 monthly, plans hike to 350,000 by this summer. Hitachi is planning 25% increase to 250,000 a month, Sharp is increasing 20% to 200,000, and Mitsubishi, which went from 50,000 monthly to 100,000 last year, is eyeing rise to 130,000. General, NEC & Toshiba, which are adding VHS production for export sales, also will be raising output in 1984.

Entrapo's wafer tape drive for computer data storage is apparently still having reliability problems. Last year, Coleco dropped plan to use 1/8" endless-loop system for Adam computer because of difficulties in quality & supply, switched to high-speed cassette drive — move that contributed to delay in Adam's market launch. Now TI says it's backing away from wafer system and looking at other storage alternatives for its new portable computer. Spectravideo, which plans to market portable later this year, says it still hopes to use system, but acknowledges it too may have to shift to some other system.

New source for CD digital audio discs is JVC, which announced in Japan it's now accepting volume pressing orders... Lowest list price for NAP's CD player is currently \$600. Based on incorrect information, we reported it last week as \$500, which isn't suggested list but street price.

1983 AT-A-GLANCE: Here's summary of EIA monthly video sales-to-dealer figures for 1983, with 1982 comparisons:

TELEVISION SALES TO DEALERS

Month	Total		Color		Monochrome	
	1983	1982	1983	1982	1983	1982
January	1,217,771	1,187,637	870,304	802,131	347,467	385,506
February	1,352,540	1,275,675	934,147*	822,920	418,393	452,755
March (5 wks.)	1,782,904	1,517,123	1,238,027*	1,010,906	544,877	506,217
April	1,272,541	1,193,565	906,130*	810,879	366,411	382,686
May	1,136,646	1,144,424	830,230*	720,614	306,416	423,810
June (5 wks.)	1,956,323	1,559,598	1,310,665*	1,055,452	645,658	504,146
July	1,432,426	1,229,807	965,638*	825,410	466,788	404,397
August	1,375,776	1,229,287	1,030,150*	806,460	345,626	422,827
Sept. (5 wks.)	2,150,738	1,811,632	1,577,467*	1,226,854	573,271	584,778
October	1,933,137	1,604,612	1,402,951*	1,075,241	530,186	529,371
November	1,987,734	1,541,839	1,378,380*	1,053,360	608,354	488,479
December	2,085,997	1,836,369	1,542,003*	1,156,107	543,994	680,262
TOTAL	8,718,725	7,878,022	6,089,503*	5,222,902	2,629,222	2,655,120

PROJECTION TV SALES TO DEALERS

Month	1983	1982	Month	1983	1982
January	11,127*	7,052	July	8,944	7,276
February	9,958*	6,518	August	10,581*	9,840
March (5 weeks)	10,896*	6,233	Sept. (5 weeks)	16,430	14,384
April	7,430	6,213	October	16,732	14,384
May	8,292*	5,074	November	16,288*	14,617
June (5 weeks)	8,671	8,022	Dec. (5 weeks)	18,157*	15,624
TOTAL	56,374*	39,113			

HOME VCR AND COLOR VIDEO CAMERA SALES TO DEALERS

Month	Home VCRs		Color Cameras	
	1983	1982	1983	1982
January	216,267*	110,712	24,518*	18,563
February	246,797*	112,967	23,403*	19,066
March (5 weeks)	266,501*	141,154	26,497*	22,188
April	228,335*	116,170	23,464*	19,125
May	272,104*	109,148	25,043	25,822*
June (5 weeks)	348,414*	140,786	40,509*	29,438
July	324,197*	141,496	30,762*	25,851
August	298,022*	137,223	29,305*	18,723
Sept. (5 weeks)	456,334*	243,123	39,409*	26,864
October	398,483*	207,750	39,778*	23,451
November	434,070*	232,595	40,694*	23,665
Dec. (5 weeks)	601,797*	331,673	70,242*	43,191
TOTAL	1,578,418*	740,937	163,424*	134,202

*Record

TDK estimates world videotape production grew 42% last year to 492 million hours, equivalent to 246 million T-120 VHS videocassettes, predicts 30% rise this year to 640 million hours. Company said total U.S. market jumped 75% last year to 140 million hours, will rise 44% in 1984, while Japanese sales soared 55% to 96 million hours and will grow 36% this year. In audio, TDK said world market for compact cassettes edged up just 4% to equivalent of 1.6 billion C-60s, sees same growth for 1984, with demand at 1.67 billion. TDK said it accounted for about 30% of world videotape market in 1983, but expects that to slip to 28%, same as its historic share in audio tape, in 1984.

Worldwide shipments of semiconductors by U.S. & European manufacturers rose 17.3% to \$11 billion last year, SIA estimates. Final total is up from \$10.8 billion group put out as estimate for year last Sept., but is short of revised \$11.2 billion figure issued in Nov. Shipments in U.S., SIA said, were up 20.2% to \$6.75 billion. It forecast boom will continue this year, rising at least 31.8% to \$14.5 billion, an improvement from earlier forecast of \$13.4 billion. Assn. added that jump to \$15 billion isn't out of question. Orders booked in 4th quarter last year were up 250% from same 1982 period, SIA said.

JANUARY 23, 1984

JVC's Video Movie camcorder was launched last week in Japan, where it will go on market end of Feb. at about \$1,225 list. At Tokyo news conference, company said it will be on sale in U.S. in late spring, under both Zenith & JVC labels. For first time, company revealed technical parameters. It uses new 4-head sequential recording system with 41mm drum revolving at 2,700 rpm, 270-degree tape wrap, as opposed to 2 heads, 62mm drum at 1,800 rpm, 180-degree wrap in standard VHS. Compactness is achieved by automatically manufactured 4-layer circuit board. Camcorder features 1/2" electronic viewfinder, plastic-mounted 6:1 power zoom, 1/2" high-band Saticon pickup tube.

IBM & Apple are launching new computers this week with ad campaigns that will add combined \$70 million to media coffers. IBM is scheduled to spend \$40 million to get PCjr off ground, with launch Jan. 22 during Super Bowl. Charlie Chaplin character IBM uses in ads for PC business computer also will be featured in PCjr ads. Company is expected to have up to 25,000 PCjrs in hands of its 1,000-dealer network by end of Feb. Apple has budgeted \$30 million for long-awaited Macintosh model it's due to unveil at shareholder meeting Jan. 24. Computer with 128K memory is expected to be priced at about \$2,500, including 9" monochrome display, single 3.5" disc drive.

Next round of talks on future of Hong Kong will be held between British & Chinese in Beijing this week. China last week officially released proposal for taking back most of territory in 1997 when Britain's lease expires. As indicated here last month (TVD Dec 19 p22), China intends to take over direct responsibility for foreign affairs and defense, but otherwise leave Hong Kong socially & economically independent for 50 years. Local govt. affairs would be put in hands of special regional administration to be selected, or elected, by Hong Kong residents, though presumably China would have some veto powers over members & policies.

U.K. floppy disc manufacturing venture, Parrot, is being launched by group of U.S. executives with startup aid from Wales development agencies. Integrated facility, to cost about \$3.15 million, will have startup capacity for 50 million discs annually, expects to export 60% of production. Company estimates world demand at 350 million discs now, growing 30% each year.

Video Corp. of America is going private. Group of VCA executives headed by Pres. Alfred Markin, in conjunction with First Capital Holdings Corp. plans \$25.9 million, \$15 per share offering for outstanding stock. Holders would get \$8 cash, \$7 in 12%, 10-year debentures for each share. VCA was trading at about \$10 per share when proposal was announced last week.

Taiwan will lift restrictions on imports of VCRs July 1, 1986, but will continue to discourage such shipments by maintaining 75% duty rate until then. Govt. feels it will take domestic industry at least 2 years to prepare for direct international competition.

VOL. 24, NO. 4

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Consumer Electronics®

JANUARY 30, 1984

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 1984's first 2 weeks, through Jan. 13:

	JAN. 1-13	1983 (2 WEEKS)	% CHANGE	DEC. 24-30	FULL YEAR 1983	FULL YEAR 1982	% CHANGE
TOTAL TV#.....	561,514	467,678	+20.1	369,653	19,683,533*	17,131,568	+14.9
COLOR#.....	402,946*	348,718	+15.6	255,849*	13,986,092*	11,366,334	+23.0
MONOCHROME....	156,568	118,960	+33.3	113,704	5,697,441	5,765,234	- 1.2
PROJECTION TV...	4,994*	4,453	+12.1	2,895	143,506*	117,253	+22.4
HOME VCR.....	136,394*	90,051	+51.5	93,850*	4,091,321*	2,034,797	+101.1
COLOR CAMERAS...	9,413	10,100	- 6.8	10,225*	413,614*	295,949	+39.8

Color TV 5-week moving average: 1982-83--258,345*; 1981-82--198,794 (up 30.0%).

Home VCR 5-week moving average: 1982-83--98,869*; 1981-82--56,206 (up 74.1%).

Excludes projection TV. * Record for period.

1984 SALES START A MIXED BAG: First figures for 1984 industry sales to dealers are in, but analysts hoping to use them as harbinger of year's remaining 50 weeks are in for tough time. EIA data show continuation of record seasonal demand for color TVs & VCRs (see State of Industry box above), but also could be interpreted to indicate that last year's torrid marketplace may be cooling off.

Signs of market growth strength were, in retrospect, there to be seen when 1983 kicked off. Five-week moving sales average for color TV was up 15.5%, against 13.3% rise in closing 5 weeks of 1982, while VCR average was up 90%, against 76.1%. But 1984 started off with color average up 30%, below 33.4% average rise for final Dec. 1983 weeks, and VCR average had dropped to 74.1% from 81.4%. Also, sales increases in first 2 weeks last year against same period in 1982, 21.8% in color and 120.3% for VCR, were substantially higher than respective rises those products had in Dec. and full year 1982, showing market was still picking up steam. Results for 1984 are opposite.

It's certainly not time yet to get concerned about slowdown. But our Early Warning Report, which tracks business activity of our panel of retailers, shows Dec. sales were strong, closed on an up-tick and that inventories built-up in Nov. in anticipation of strong Christmas demand were lowered. So presumably dealers are open to buy. Industry did, however, end up with equally depleted pipeline inventories, particularly of fast-moving high-end and low-end color TVs and VCRs. Comparatively sluggish sales in first 2 weeks this year may just stem from distributor inability to deliver. Sales figures for next several weeks should tell story.

VIDEO IMPORTS STRONG IN NOV.: Though Nov. saw no new all-time monthly TV or video equipment import records set, it was notable for across-board shipment surge in which failure to double results of Nov. 1982 was exception rather than rule, Commerce figures show.

VCRs provided growth leadership for month, leaping 182.5% to 563,300, and putting 11-month total at 4.15 million, up 83.7%. In cameras, month's rise was 110.4% to 59,000, paced by 104.8% jump in color to 51,600, while b&w climbed 160% to 7,400. Even with that growth, 11-month total of 434,300 was down 2.8%, with color off 2.2% to 359,600, b&w off 5.3% to 74,700. In color, imports of consumer-type cameras — with f.o.b. pricing of not more than \$2,000 — totaled 50,900 for month, 350,700 for 11 months. Also surging were imports of videodisc players, up 192.6% in Nov. to 10,100, and up 46.1% to 67,300 for full period. Incoming shipment of projection TVs rose 25.3% for month to 7,200, for 11-month total of 47,400, up 40%.

In TV, at 10.9 million, 30.6% to 586,000. b&w was down to 451,700, putting 11-month total at 240,300 for month.

In b&w, 164,900, as color rose to 86,000. For 11 months, 23.1% to 564,000. 419,600 for month.

TOSHIBA GETS MARKETING PUSH: Toshiba marketing push to get what it can out of the market segment come out swinging.

First hint of Saba: He stressed technology expertise, then, Toshiba Saba said.

Electronics sectors are cooling: such advanced sectors are cooling in business sector. new IC products at high level, Toshiba employs out of country to be linked by companies.

Part of products, part of this by achieving: products, part of this by achieving develop such production techniques.

First evidence: 2nd quarter, Products Group a review of operations.

Toshiba's Ohta said: M Ohta said. M off with what support it will quality products. Beta Hi-Fi has to fly shipment couldn't meet.

Toshiba emphasized: Japan, Toshiba England, Beta

CHINA BUYING IN: China is buying its way into international consumer electronics scene through acquisition of controlling interest in Hong Kong's Conic Investment. That such move might be in works was reported here last month (TVD Dec 26 p18).

Conic has \$20 million 50-50 TV & audio export-assembly venture with China Resources in China's industrial zone that abuts Hong Kong. Investment in Conic is being made by China Resources subsidiary Sin King Enterprises, which has already purchased 16% interest, will increase that to 34.8%. Total outlay will be \$22.8 million.

Conic, through subsidiaries, is Hong Kong's largest electronics equipment producer, also has major real estate holdings. Major operations include Cony, TV & audio; Far East United, TV, audio, telephone equipment, computers & computer peripherals; Hung Nien, audio, telephones, answerers & communications terminals; Chee Yuen, plastic molds & products. Smaller subsidiaries turn out circuit boards, resistors, coils, LCDs, power transformer, AC adaptors & power suppliers, among other products. It also has joint audio venture in Philippines, is negotiating for venture in India.

Conic markets worldwide under own Conic & Contec brands, also sells to OEMs in U.S. & Europe. Company's U.S. sales history has been marked by series of false starts, launched another major stab in late 1982, setting up Chicago subsidiary, Contec Electronics, with industry marketing veteran Patricia Schoenberg as pres. Conic is believed prime source of 36,300 color TVs that were imported from Hong Kong in first 11 months last year.

Chinese will bring financial and management aid to Conic, which has been suffering from sluggish profitability, mounting debt. Company had 29% drop in earnings in 1982, and in first half last year, latest period for which figures are available, edged up just 3% to \$2.7 million. Company had been forecasting 134% jump to \$9.4 million. At end of 1982, its debt stood at \$45.8 million, double that at start of year. Sin King says its chmn. will become Conic's deputy chmn. and serve as managing dir.

In other merger & acquisition activity: **U.S. Precision Lens**, maker of plastic projection TV lenses, has acquired 75% of Taiwan glass lens maker Bauer & Son from Robert Bosch Co., including 75,000-sq.-ft. plant employing more than 300, for undisclosed cash amount. It will be operated as USPL subsidiary Baso Precision Optics... **Williams Electronics & Bally** terminated discussions on Bally's acquisition of Williams' arcade game business. Reasons weren't disclosed... **Concord Electronics** has been acquired from Westland International by Epicure Products for \$6 million. Westland was founded by Fisher Pres. Howard Ladd, who will continue as consultant to Concord. Sumner Ladd will remain as Concord pres.

Hitachi will spend \$4.3 billion on new plants & equipment over next 5 years. Company said emphasis will be on expanding electronics production capability, said it looks for electronics to provide 75% of its sales in 1989, vs. current 50%.

'DISC NO COIN-OP CURE: Arcade videogame manufacturers & marketers are coming around to bitter realization that adoption of videodisc technology may not be enough to reverse their declining fortunes, let alone bring back glory days of 1981. Sales of new games haven't taken off, and fear is that smashing success of Dragon's Lair last year may have stemmed from its novelty and that future hits will be few & far between.

First open admission came from Williams Electronics as part of report for fiscal 4th quarter to Sept. 30 in which it posted \$1.68 million loss on 74% sales drop to \$5.11 million. In same 1983 period, it showed \$1.39 million profit. Pres. Michael Stroll blamed "industry-wide weakness" in demand for coin-op games for depressed result, said poor market conditions "continued into the first quarter of fiscal 1984." WE, Stroll said, plans to offer its first disc game, Star Raider, in Feb., but cautioned that while company hopes it will "stimulate lagging sales, it appears to date that industry-wide customer response to laser games has been less favorable than anticipated."

Sentiments were echoed by Bally spokesman, who said disc game sales "are sort of slow to everyone's surprise." Price, he said, is holding sales back. Company's new NFL game, using RCA-supplied CED player, costs \$4,000, or about double price of standard video game. Bally, he said, is trying "to wring out \$500," to close gap. Even with that, Bally has shipped about 1,200 games, all containing disc that supplies plays pitting Raiders against Chargers. Distributors will be able to reprogram with new discs for \$600. Disc with Redskins vs. Dallas is due in March, Jets vs. Miami in June.

Disc games are now just another videogame breed, aren't worldbeaters many thought they would be, according to spokesman for Amusement & Music Operators Assn. "They're settling into a niche," he said, doing far better in well-trafficked arcades than street locations. AMOA thinks LV player manufacturers — primarily Pioneer Video — are doing fine, "but they're not necessarily sweeping the marketplace." There have been few additions since dozen were introduced last Oct., with next round not due until fall. AMOA sees 1984 being a tough year for arcade game industry, expects heavy shakeout in 2nd half.

Ad notes: JVC appoints SSC&B, replacing Marsteller... Sharp is conducting agency review with eye to consolidation of its \$20 million account. Current Isidore, Lefkowitz, Elgort handles consumer products; Rosenfeld, Sirowitz & Lawson business & industrial... Ampex appoints Dailey & Assoc. for Computer Products Div. line of disc drives, VDTs & core memories... Games of Tomorrow names WKE Communications for coin-op videogames.

Matsushita may be committed to being first manufacturers of 8mm Video format VCRs, but it isn't backing away from position of world's largest producer of 1/2" VCRs. Company says it plans March introduction of smallest VHS portable yet, weighing just 4.8 lb., 2.9" high.

Rebirth of Aquarius home computer, recently ditched by Mattel (TVD Jan 16 p21), may be engineered through Shasta Beverage, producer of soft drinks. Manufacturer, Hong Kong's Radofin, which took over rights to Aquarius from Mattel, is negotiating distribution agreement with Shasta and Burlingame, Cal. distributor Venture 100. Venture will be importer, handle marketing through retailers, while Shasta would market Aquarius to schools through its food services division. Shasta presumably could offer bargain computer prices in package deal with food service contracts.

Panasonic Industrial adds 100" 3-tube video projection console for front or rear projection systems which can be floor or ceiling mounted, at \$6,200. Also new is professional rack mountable VHS Hi-Fi VCR with real-time & elapsed time indicators. For dubbing, up to 400 can be looped and controlled through single operating switch. VCR lists at \$1,800.

Fla. adoption of unitary method of taxing multi-national corporations was in part responsible for IBM's decision to cancel 10% expansion of personal computer operations there, IBM said. IBM had intended to add 400,000 sq. ft. to facilities in Boca Raton to provide for expected tripling of personal computer sales this year, including new PCjr. Other considerations involved managability of larger Fla. operation, impact of expansion on local economy. In response to IBM's announcement, Boca Raton officials approved resolution calling for repeal of state's unitary tax.

CED videodisc players have received lukewarm reception in U.K. where they went on sale last fall. About 9,000 Hitachi-made units have been delivered to distributors, 4,500-5,500 sold to consumers. But, RCA Videodisc U.K. Managing Dir. Steve Bernard is sticking with prediction there will be 100,000 players in use by end of this year.

Summary table of dealer equipment sales to dealers and incorrect full-year straighten record, here's

TO DEALERS		Color		Monochromes	
1982	1983	1982	1983	1982	1983
304	802,131	347,467	385,596	347,467	385,596
147*	822,920	418,393	452,755	418,393	452,755
127*	1,010,906	544,877	592,217	544,877	592,217
130*	810,879	366,411	382,896	366,411	382,896
230*	720,614	306,416	422,810	306,416	422,810
365*	1,055,452	645,658	504,146	645,658	504,146
338*	825,410	466,788	404,367	466,788	404,367
150*	806,460	345,626	422,827	345,626	422,827
167*	1,226,854	573,271	584,778	573,271	584,778
151*	1,075,241	530,186	529,371	530,186	529,371
180*	1,053,360	608,354	488,479	608,354	488,479
103*	1,156,107	543,994	680,262	543,994	680,262
192*	11,366,334	5,697,441	5,753,224	5,697,441	5,753,224

MONTHLY SALES TO DEALERS

Color Cameras		Monochromes	
1983	1982	1983	1982
12	24,518*	18,563	7,276
67	23,403*	19,056	9,840
54	26,497*	22,198	14,384
70	23,464*	19,125	14,384
48	25,043	25,822*	14,517
86	40,509*	29,430	18,157*
96	30,762*	25,851	143,506*
23	29,305*	18,723	117,261
23	39,409*	26,864	
50	39,778*	23,451	
95	40,694*	23,663	
73	70,242*	43,291	
97	413,614*	295,948	

ettes to professional million by 1988, equal to demand, 3M's International ssn. meeting. Farmer h since 1980 has averaged eta, with 1983 increases y. However, dollar est — 16% for VHS, 22% 2 results. Mini-3/4" ENG, is in same boat, s value despite 25.1% ast continuing profit ous league approach" o have decided "to buy re with savage pricing"

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RCA RESULTS UP: RCA said consumer electronics business was major contributor to record sales and improved earnings posted for 4th quarter and full-year 1983, but slump in broadcast equipment sales resulted in reduced earnings for its electronics segment. RCA net jumped 45.1% in quarter as sales rose 16.9%. For year, earnings were up 8.2% on 12% revenue rise (see financial table). Excluding \$48.6 million in one-time 1982 gains from business sales and tax benefits, RCA's 1983 earnings were up 38.4%.

RCA said it had record quarterly and annual sales in consumer electronics, substantially higher earnings from RCA Records on modest sales gain, improved profits from RCA Service. Also, RCA said its loss from videodisc operation was about same as \$97 million posted in 1982. That would bring RCA's 6-year investment, in terms of R&D expenses & losses, in that technology to more than \$380 million.

Corning posted sharp gains in operating income in 4th quarter and full 1983, said it had strong profit improvement from color TV bulbs, electronic components and optical fibers. Also contributing to earnings rise, Corning said, were cost restructuring and improved management controls instituted last year. Excluding non-operating revenue and expenses, Corning's pre-tax net rose 73% in quarter to \$16.8 million, was up 133.6% for year to \$68 million.

Commodore reported record results for quarter & half to Dec. 31, with profits doubled for both periods. Company said continued high demand for its computer products are expected to produce records in 3rd quarter as well.

TDK consolidated net slipped 7.9% to \$115 million in year to Nov. 30, first such decline in 8 years, though sales rose 13.8% to \$1.5 billion. Company said it had strong performance from electronic materials & components operation, blamed earnings decline on excessive price competition in videocassette business caused by too rapid an increase in world capacity. TDK said results improved as year progressed, predicted trend would continue and that its profitability will soon resume growth.

Emerson Radio was solidly in black in fiscal 3rd quarter to Dec. 31, with earnings of \$2.1 million on doubled sales. For 9 months, company had operating net of \$3.28 million as sales jumped 91.9%. Total full-period earnings of \$7.65 million include \$4.37 million gain on security transactions. Emerson had losses in same 1982 periods. Emerson also announced 5-for-3 stock split, payable Feb. 21.

Apple Computer net dropped 75% to \$5.8 million in fiscal opening quarter to Dec. 31, though sales were up 48% to \$316.2 million. Company's earnings were bolstered by \$1.37 million copyright infringement settlement payment from Franklin Computer. At annual meeting last week, where company introduced new Macintosh computer and revamped Lisa models, Pres. John Scully predicted profitability would start rising later this year.

Motorola said all its major businesses contributed to improved sales & earnings reported for 4th quarter and full 1983. Company said it had increased semiconductor sales to consumer, communications,

automotive & distributor markets, ended year with order backlog more than double that at end of 1982.

MUSIC VIDEO'S FUTURE: Sales of music video cassettes & discs represented only 4% of industry sale & rental revenue last year, but will expand to 25% by 1988, according to report by Stephen Reed, former vp of CBS Records Group, now with investment house P. Eberstadt & Co.

Study puts 1983 total recorded video business volume at \$1 billion, sees jump to \$5 billion in 1988, with share provided by movies dropping from 67% to 50%. Other major segments: Adult films, now 14%, slipping to 8%; instructional & informational, 7%, down to 6%; children's, 7%, up to 8%; other, 1%, up to 3%. Predictions for 1988 are based on VCR population of 35 million, about 38% penetration of TV households.

At same time, expected sharp drop in duplication costs to \$5 per cassette, will cause change in rental-sale revenue ratio at retail from present 4-1 to 3-5, overwhelming shift in favor of sale. Study says "generous gross margins at current price points" leave plenty of room for retail price declines now. That's based on estimate of current pricing structure that gives dealer 30% margin, distributor 12%, plus \$3 for duplication, 20% royalty.

Study credits CBS/Fox with being software market leader in 1983 with 20% share, with Paramount close behind at 19%. Others ranked: Warner 11%, MCA, RCA/Columbia & MGM/UA 10% each, Thorn EMI 5%, Disney 4%, all others 11%. Details: F. Eberstadt & Co., 61 Broadway, N.Y.C. 10006.

Sanyo will be first producer of both Beta & VHS VCRs in Europe, just as it was in Japan. Subsidiaries Tokyo Sanyo & Sanyo Trading will invest \$3.6 million next month to establish German production operation, Fisher Industry, in Noerdlingen, Bavaria. FI is slated to go on stream in Sept. with 350 workers turning out 15,000 VCRs monthly for sale in all European markets under Fisher brand. At start, VCRs will have 25% local content, making kits exported from Japan for final assembly free of EEC quota. Sanyo says European value-added will be increased to 45% by end of next year. Last year, Sanyo announced it would start production of Sanyo-brand Beta VCRs at color TV plant in Lowestoft, U.K.

Atari system wins top rating in current Consumer Reports review of low-cost (under \$1,000) home word processors. First choice was package including XL801 console, 1027 printer, cassette recorder at \$650, winning out over similarly equipped Commodore 64 system at \$550 and Radio Shack (16K) package at \$620, as well as Coleco Adam at \$700. Atari won on strength of print quality, on-screen legibility of screen and quality of WP program cartridge, extra at \$100. Commodore and Radio Shack were downgraded for low quality of dot matrix printers & programs, Adam because of printer noise, limitations of built-in WP program.

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Taiwan	285
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Korea	499
total...	228
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b&w.....	
Singapore	68
total...	68
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b&w.....	
Malaysia	12
total...	10
color...	2
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Hong Kong*	8
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STATE OF THE INDUSTRY

Sales to dealers, from EIA, for week ended Jan. 20 (3rd week of 1984):

	JAN. 14-20	1983 WEEK	% CHANGE	2 WEEKS TO JAN. 13	3 WEEKS 1984	3 WEEKS 1983	% CHANGE
TOTAL TV#.....	424,223	349,585	+21.4	561,514	985,737	817,263	+20.6
COLOR#.....	343,848*	244,910	+40.4	402,946*	746,794*	593,628	+25.8
MONOCHROME....	80,375	104,675	-23.2	156,568	238,943	223,635	+ 6.8
PROJECTION TV...	3,441*	3,293	+ 4.5	4,994*	8,436*	7,746	+ 8.9
HOME VCR.....	111,814*	56,111	+99.3	136,394*	248,208*	146,162	+69.8
COLOR CAMERAS...	6,913*	6,005	+15.1	9,413*	16,326*	16,105	+ 1.4

Color TV 5-week moving average: 1983-84--261,111*; 1982-83--198,794 (up 30.3%).

Home VCR 5-week moving average: 1983-84--96,403*; 1982-83--52,501 (up 83.6%).

Excludes projection TV. * Record for period.

MATTEL, MILTON BRADLEY DROP OUT: Mattel & Milton Bradley washed hands of red-ink generated by videogames and electronic toys last week, Mattel agreeing to sell its Electronics Div. at bargain basement price, Milton Bradley discontinuing Vectrex. In related activity, a major computer introduction was postponed and there have been 3 recent management restructurings, as game & computer marketers seek ways to keep 1983's disruptions & losses from carrying into 1984.

Mattel said it plans to sell Intellivision videogame and other assets of electronics operation for \$20 million to investment group headed by Terrence Valeski, now senior sales & mktg. vp for unit. Mattel Electronics will continue as entity, providing parts & service for new company being formed, also will handle software assembly on contract basis for at least year.

Aside from that activity, Mattel said, it will end all involvement in electronics, concentrate on profitable toy & hobby business. Company has negotiated sale of its publishing operation, said it's seeking buyer for theme park, Circus World. Speculation that Mattel would quit electronics has been rife for year, was fueled last summer when it stopped test marketing and dropped Aquarius home computer system, cut 660 employes from Electronics Div., including most top managers & marketers. At that time, it reaffirmed commitment to Intellivision, followed with introduction of computer adaptor and other accessories. Last month, it dismissed 200 more workers and revised its market position. New official response to its videogame posture: "We are evaluating the industry and our position in it." Electronics Div. ran up \$223 million loss in first 9 months of 1983, said it expected sizable deficit in final 1983 quarter to Jan. 28. That loss, Mattel indicated last week, will be boosted by reserves covering business disposal.

In related move, Penn Central said it will sweeten takeover offer to public holders of Solid State Scientific. PC has agreed to buy Mattel's controlling interest in SSS for \$12.3 million (\$6.11 per share) intended to pay same for 48% held by public and SSS insiders. Under revised proposal, PC will pay them up to 20¢ more per share, depending on SSS's 4th quarter results. Semiconductor maker had \$6.44 million loss in first 9 months, but said it expects to report 4th quarter profit on record sales.

In consigning Vectrex to limbo, Milton Bradley said it took \$16.5 million charge in final 1983 quarter to cover discontinuation costs, reported that in total it lost \$31.6 million on game.

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WEEKS	% CHANGE
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93,628	+20.6
23,635	+25.8
7,746	+ 6.8
46,162	+ 8.9
16,105	+69.8
	+ 1.4

MB also shut down General Consumer Electronics, Vectrex developer acquired in 1982 for about \$4 million. Vectrex was introduced in 1982 at \$200 as first game with built-in monochrome TV tube offering non-raster X-Y display, but it never caught on, and cutting price to under \$100 didn't help.

MB reported net losses of \$18.7 million for both quarter & year, including total losses of \$22.6 million & \$30.2 million from discontinued operations in those respective periods. Additional writeoffs, company said, were for inventory of some electronic board & hand-held games. MB said operating results also were hampered by cancellation of orders from Atari & TI of voice activation systems it developed for their home computers.

Commodore has placed indefinite hold on computer models 264 & 364 introduced at last month's CES amid excitement ranking 2nd only to Kodak's 8mm Video display. Commodore said models were being reevaluated, wouldn't be marketed "until there's a need" for them. Computers presumably got lukewarm reception from consumer electronics and toy retailers. Company is essentially persona non grata with computer specialty dealers, who are still steaming over Commodore's refusal to give them price protection last year when wholesales on Model 64 were trimmed.

Incoming Commodore Pres. Marshall Smith, due Feb. 21 to fill slot emptied by resignation of founder Jack Tramiel, will have little worry about displacing current employes as he builds his own team. Four key marketing & manufacturing executives resigned. Departures seemingly are unrelated to top management changes. Atari's new Pres. James Morgan has totally revamped corporate structure set up only last June, while Apple has split up into operating divisions (for details see Trade Personals).

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CUSTOMS REVIEWING TV KIT DUTIES: Labor-industry group COMPACT has won first round in fight to discourage use of imported picture tubes in color TVs assembled in U.S. Customs has agreed to consider whether separate customs entries should be made for picture tubes imported as part of TV kits.

COMPACT's contention is that standard 15% duty should be levied on tubes included as part of kits, rather than 5% rate imposed on complete TVs, chassis, kits and most other parts. That was way things were until 1977. Until then, there was no specific tariff schedule provision for either TV chassis or kits, and any imported tubes not actually built into imported TVs were subject to higher duty rate.

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Situation changed when Japan agreed to put voluntary quota on color exports to U.S. Arrangement provided separate allocations for complete and incomplete TVs, counted chassis with tube against quota for complete sets, exempted less-finished chassis from restrictions. To help Customs monitor Japan's compliance with agreement, 8 new tariff classifications for kits, chassis and circuit boards were created, all carrying same duty rate as complete TVs. That opened color picture tube import loophole Matsushita walked through last year, touching off howl from COMPACT.

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Last fall, Matsushita started shipping tubes from Japan to chassis assembly plant in Tijuana, Mexico, then shipping tubes & chassis in equal numbers as kits for final assembly to factory in Franklin Park, Ill. where Panasonic & Quasar sets are turned out. Tariff schedule has no requirement that all kit parts be from same country. In 1982, Matsushita shipped estimated 120,400 such kits, saving as much as \$818,000 on duty it would have paid had same tubes been shipped directly from Japan to Franklin Park.

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Imports of tube-inclusive color kits from Mexico through first 11 months of 1983 were 387,000, for indicated duty savings of at least \$2.63 million. Other foreign manufacturers have caught on to opportunity. New suppliers this year include Singapore with 27,300 and Korea with 19,600, while shipments from Japan were 54,700, up 48.6% from same 1982 period. Those imports were enough to put total duty savings well over \$3 million. Presumably, manufacturers get additional incremental savings from increased tube production and from not having to use special parts to adapt set design for U.S.-made tube.

NAP NET UP: North American Philips posted record 4th quarter results, higher sales & earnings for year. Closing quarter was first in which company sales topped \$1 billion, while net rose 24.8%. For year, NAP had earnings gain of 30.1% on 12% sales rise (see financial table). Earnings are after \$3.97 million dividend on special shares sold to U.S. Philips Trust to finance 1975 acquisition of Magnavox. Excluding that payment, NAP earnings were up 38.1% for quarter, 35.5% for year.

Consumer electronics operations "registered sharply improved results" despite extensive losses from videogames, NAP said. CE improvement "was most notable" in video products, TV tubes, and losses from videodisc business were reduced. NAP said cost reductions and operating efficiencies also helped boost CE performance. Company had higher sales & earnings in all major segments of its electrical & electronic components business, while sales of CATV equipment were down.

Activision reported \$8.1 million loss in 3rd quarter to Dec. 31, putting 9-month deficit at \$12 million. Sales fell 79.7% in quarter, were off 56% for full period. Company said results reflect lower order rates, cost of staff reductions, reserve for higher than anticipated post-Christmas videogame inventories. Activision said it expects soft market to continue through much of 1984, added that most of its new titles will be released in several formats this year "because of significant fragmentation in the hardware marketplace."

Texas Instruments, free at last from home computer business, enjoyed 81.9% jump in 4th quarter net, including \$11 million in sales of home computer equipment previously written off. Full-year loss of \$145.4 million includes \$193 million tax credit, \$350 million in writeoffs and estimated \$310 million in operating losses from home computer business.

Craig said dropping home & portable audio equipment to concentrate on car stereo helped it cut loss 50% to \$609,000 in 2nd quarter to Dec. 31. For half, deficit was \$1 million, down from \$1.6 million. Craig said sales were down only 6.6% to \$15.5 million, but were off 14.7% to \$29.6 million for half.

Dai Nippon Printing said 30% jump in sales of color tube shadow masks and other electronic parts helped boost sales 8.5% to \$1.31 billion in half to Nov. 30. Japanese firm said net rose 4.4% to \$48.9 million.

Walt Disney worldwide home video & non-theatrical sales rose 45.7% in fiscal 1983 (to Sept. 30) to \$55 million, according to annual report. Cited as biggest cassette & disc sellers were Alice in Wonderland at \$1.8 million, Tron at \$1.7 million. Report indicates contract giving RCA exclusive CED disc distribution rights to Disney video titles expires this year, won't be renewed.

R&D spending in U.S. on electrical machinery & communications should rise 12.4% this year to \$14.5 billion, with private industry taking on bigger share of load, according to Battelle Memorial Inst. Govt. financing in field is expected to increase 6.8% to \$5.65 billion, to account for 39% of total, down from 41% share in 1983.

FEBRUARY 6, 1984

FMA HEARING FEB. 23: Final hearing on proposed Fair Marketing Amendment to Copyright Act has been set for Feb. 23 by House Copyright Subcommittee. Witness list isn't out, but we're told it should include Consumers Union's Mark Silbergeld, who will oppose revision that would allow studios to share in retailer revenues from recorded cassette rentals. Training Media Distributors Assn. will speak in favor of FMA.

Session represents last licks for MPAA & HRRRC. Lobbyist for latter claims "we've not been told there's any commitment to a markup." Aide to Subcommittee Chmn. Kastenmeier (D-Wis.) told us markup timetable hasn't been discussed, calls Feb. 23 date "fairly prompt scheduling" in contrast to hearing on computer technology, postponed while Kastenmeier draws up own legislation. That could bring FMA issue closer to resolution.

HRRRC meanwhile is continuing to fan grassroots response among dealers, got more than 5,000 anti-revision signatures at Jan. CES in Las Vegas, will hold 24 retailer-education meetings around U.S. by month's end. One estimate is that possibly 50% of retailers weren't aware FMA was separate issue, and great many still think Supreme Court's Betamax ruling that home taping isn't copyright violation settled entire matter. HRRRC has no count on mail sent to Congress, but claims volume has been significant.

Sony officers slogged through 13-1/2 hour annual meeting in Tokyo last week where they were peppered by stockholders with questions on company's declining profits and future of Beta VCR system. Sony apparently was caught up in current positioning battle fought by group called Sokaiya, and generally referred to as "special stockholders." They are so-called consultants, researchers & journalists, own one or 2 shares, and traditionally show up at meetings to applaud management and help keep meetings short in exchange for consulting fees, ads in limited circulation journals. In 1982, govt. revised commercial code making such payments criminal offense. Sony, it's understood, has moved to comply fully with new rules. Sokaiya apparently used meeting to demonstrate what happens to companies that refuse to deal with them.

Ad notes: Commodore appoints Anametries Services as agency of record for its \$100 million worldwide budget — \$70 million earmarked for spending in U.S. AS, new subsidiary of Commodore's investment advisor, Anametries Inc., is assigning actual ad creation & placement to established agencies... **Video Movie** magazine, devoted to reviews of films on cassette & disc, bows this month with \$2.95 cover price. Ad rates are based on 150,000 circulation.

CD price cuts are extending to discs as well as players. Denon America says it will trim dealer cost of discs by \$2 to about \$10 in March, lower suggested retails \$3 to \$17, expects further reductions later this year. Also in March, company plans to boost CD pressing capacity in Japan 50% to 450,000 monthly.

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NOV. TV IMPORTS: Combined imports of complete & incomplete color TVs in Nov. of 692,000 may have been down from record 802,300 of Oct., but it was still 3rd biggest month in history, and it was marked by doubling of complete set imports from 4 of 5 biggest supplying countries.

Assuming traditional import pattern was followed in Dec., 1983 imports of TVs of all types, which stood at 10.9 million at end of Nov., easily topped 11.4 million record of 1982, and it will be first year that 4 different countries passed million mark for total color shipments.

Following are TV import totals by country for Nov. and 11 months. No color set vs. chassis & kit breakdown is given for countries supplying negligible quantities of incomplete receivers for either period.

	Total TV			
	Month	% chg.	11 mo.	% chg.
Japan				
total...	194,600	+49.4	1,604,500	- 9.5
color...	156,800	+97.7	1,222,400	+ 3.6
b&w.....	37,800	-25.7	382,200	-35.5
Taiwan				
total...	409,000	+152.9	2,921,800	- 0.6
color...	133,000	+131.9	975,500	+119.5
b&w.....	276,000	+164.3	1,946,300	-22.0
Korea				
total...	428,700	+29.7	3,846,000	+52.5
color...	169,400	+159.8	1,534,100	+165.6
b&w.....	259,300	- 2.3	2,311,900	+18.9
Singapore				
total...	66,200	+51.1	611,400	+31.7
color...	66,200	+69.3	589,900	+47.6
b&w.....	--	--	21,500	-66.6
Malaysia				
total...	27,000	+59.7	196,500	+190.4
color...	19,000	+159.4	141,200	+267.1
b&w.....	8,000	-16.4	55,300	+90.1
Hong Kong				
total...	10,700	-16.1	56,900	+109.9
color...	8,700	+81.3	36,300	+361.2
b&w.....	2,000	-74.5	20,600	+ 6.8
Canada				
color...	9,600	+22.0	83,500	+17.4

Complete Color				
Japan....	109,100	+147.4	836,800	+ 9.7
Taiwan...	131,100	+132.6	935,200	+131.6
Korea....	148,200	+127.3	1,395,600	+143.1
Singapore	24,400	+61.8	182,100	+32.9

Color Chassis & Kits				
Japan...	47,700	+35.5	385,500	- 7.6
Taiwan...	1,900	+88.4	40,300	- 0.9
Korea*...	21,200	--	138,600	--
Singapore	41,800	+74.0	407,800	+53.3
Mexico...	127,700	+14.6	1,433,600	+ 7.7

*Imports negligible in 1982.

CASA has changed name, but kept initials. Formerly Custom Automotive Sound Assn., it's now Car Audio Specialists Assn.

MORE VIDEO DROPOUTS: Add 2 more companies, CBS & Tomy, to home videogame-computer dropout ranks. They join such other recent members as CBS/Fox Video, Mattel, Milton Bradley and Panasonic.

CBS announced last week it has shut down CBS Video Games Div. of Columbia Group, transferring some functions to CBS Software, CG unit which has been responsible for development and marketing of primarily non-game computer programs. CBS said videogame operation was responsible for bulk of \$15.7 million pre-tax loss posted by CG in 1983. CBS Software, company said, will continue to offer some videogames, but emphasis will be placed on those with educational value. Move won't affect CBS's international marketing & distribution of Coleco game & computer products.

Tomy, Japanese-based toy manufacturer, has discontinued Tutor 16K home computer introduced last Sept. Unit carried \$150 list, but by year's end was being closed out at retail for as little as \$50. Tomy said it would continue in low-end computer business in Japan.

Mattel, meanwhile, is moving to finalize involvement with electronics, following agreement to sell U.S. assets of its Electronics Div. for \$20 million to Intellivision Inc., venture formed for purpose of takeover by investor group (TVD Feb 6 p12). Company settled, reportedly for about \$1 million in cash and component parts, suit filed against it in 1982 by Compro. Compro charged Mattel with contract breach after toy maker discontinued Intellivision computer keyboard adaptor Compro was scheduled to produce and picked Hong Kong's Radofin as supplier for lower cost add-on introduced last fall.

Mattel also is understood to have put pair of Far East electronics plants on block. Up for sale are circuit board plant in Singapore, assembly factory in Hong Kong. Agreement to sell Mattel Electronics calls on buying group, headed by ME Senior Vp Terrance Valeski, to sign definitive pact this week, to close on deal by end of March. Group will get rights to Mattel's hand-held electronic products and electronic music instruments as well as Intellivision videogame system. Mattel is estimated to have sold 3 million since introduction in 1980.

Mattel said it expects to end fiscal 1983 with negative net worth of about \$150 million, indicating 4th quarter operating loss from electronics plus cost of discontinuing business of at least \$130 million.

Bally operated profitably in 4th quarter but posted \$12.2 million net loss after taking \$18 million charge for coin-op videogame inventory write-off and reserve for accounts receivable. Bally said continued arcade game slump probably will result in first quarter earnings below \$2.1 million posted in same 1983 period. Company said industry shipped only about 200,000 coin-op videogames last year, down 59% from record 489,000 moved in 1982.

HiFiVideo Show to be held in Dusseldorf, Germany, Aug. 24-30, is expected to have 400 exhibits, draw 250,000 attendees. Details: Dusseldorf Trade Shows, 500 5th Ave., N.Y. 10110.

COMPUTER, GAME MARKET: Texas Instruments was far & away biggest home computer marketer last year, while Atari dominated home videogame console business, according to the results of national survey of leading retailers.

TI 99/4 home computer sales volume was nearly triple that of closest competitor, Commodore's model 64, figures derived from survey indicate. Much of TI's sales came in last 2 months of 1983, after TI announced it was leaving home computer business and retailers were liquidating model at prices as low as \$50. Survey shows that 43% of 1983's 3.8 million home computer sales were made in Nov.-Dec., period in which TI is estimated to have dumped some 800,000 computers.

From software marketing standpoint, Atari is tied for 2nd place. Though Commodore captured about 24% of total market for computers priced at less than \$1,500, it did it with 2 non-compatible models. Atari's 13%, equal to share of Commodore's Vic 20, came from sale of models 600, 800 & 1200, all of which run same programs.

In videogame consoles, industry sold 5.9 million last year, nearly half of market captured by Atari's low-end system. Its stepup 5200, which internally is 600 computer but uses non-compatible cartridges, edged out Intellivision for 3rd place, while Colecovision finished comfortable 2nd. Here's rundown on 1983 market:

HOME COMPUTERS		
Brand	% Share	Units
Atari	13	494,000
Apple	5	190,000
Vic 20	13	494,000
Commodore 64	11	418,000
Timex/Sinclair	5	418,000
Tex. Inst.	38	1,444,000
Coleco Adam	1	38,000
Other	14	532,000

VIDEOGAME CONSOLES		
Brand	% Share	Units
Atari 2600	49	2,891,000
Atari 5200	13	767,000
Colecovision	21	1,239,000
Intellivision	12	708,000
Other	5	295,000

Ad notes: Contec Electronics, U.S. sales affiliate of Hong Kong's Conic, appoints Garrison, Jasper, Rose & Co. for print campaign... Activision account has been resigned by J. Walter Thomson. Tatham-Larid & Kudner, which shared account with JWT, continues... Epyx appoints Frank Barth for PR... Video Review marks 5th anniversary in April by raising circulation rate base to 360,000, dropping ads for X-rated cassettes & discs.

Sony's AM stereo chip, designed to tune all 4 systems, will be offered to OEMs soon, according to company's Semiconductor Group, confirming our report of last week (TVD Feb 13 p14).

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ZENITH SHIPPING VHS: Zenith officially joined VHS group last week, showing distributors its 5-model line at Scottsdale convention, starting shipment of decks and releasing description of products to press. Line, which we viewed in early Jan., was described in detail for first time in these pages more than month ago (TVD Jan 16 p16).

Highlight of line is first VHS Video Movie camcorder to be introduced in U.S. — interest in which is certain to be heightened by Kodak's introduction of Kodavision 8mm Video, which has longer recording time but weighs more. Video Movie deliveries start in June.

Zenith will have no suggested list prices on line, all of whose decks have 4 video heads, remote controls compatible with Zenith TV sets. Leader model is expected to compete with units which carry \$600 list, while Video Movie will be in \$1,500 area. Docking portable unit, with deck weighing less than 6 lb., along with 3-lb. camera, will be available in May. Line is topped by VHS Hi Fi deck, which has 2 stereo sound systems — longitudinal & helical.

Home computer software market will nearly triple this year, climbing to \$700 million at retail from \$250 million in 1983, according to estimate from Goldman, Sachs. Market still will be dwarfed by videogame business, where combined hardware-software sales are expected to slip to \$1.5 million from \$1.9 million. GS estimates 80 million videogame cartridges were sold in 1983, about 33% at liquidation prices. It expects degree of profitability to return to that industry in 4th quarter, as current inventory glut eases. GS credits Atari with being runaway game cartridge leader, accounting for 39% of 1983 unit sales, followed by Mattel at 15%, Activision 14%, Coleco 10%, Imagic 7%, Parker Bros. 5%, all others 8%.

First still-frame audio system for laser videodiscs developed by EECO, Santa Ana, Cal., has been sold to Medcom, Garden Grove, Cal., to replace film strip libraries and videocassettes. Recording system digitally compresses audio information during mastering; decoder reconstitutes audio message for listening. System can put 10 sec. of audio on each still frame. One 30-min. disc can hold 18,000 still frame images and 100 hours of audio, or 150 hours of audio alone. Specs indicate visual capacity of disc is reduced by system — 30-min. Laservision disc normally can hold 54,000 frames. First delivery will be in mid-July.

Taiwan's exports of electronic & computer products totaled \$3.77 billion last year, setting growth pace for all categories of industrial product exports with 24.4% increase and accounting for 15% of product shipments, govt. reported. Computer peripherals had largest rise, jumping 623% to \$151 million, while largest individual electronic export was color TV, up 96% to \$269 million. Among other electronics export growth leaders: Telephones \$247 million, up 204%; microcomputers \$38 million, up 161%; minicomputers \$31 million, up 98.6%; other computers & parts \$160 million, up 45%.

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ZENITH, SMC NET UP: Zenith and Sanyo Mfg. Co. both reported sharply improved results on increased sales for 1983, but also indicated that low color TV margins restrained earnings growth.

Zenith posted strong profits in both year and closing 1983 quarter, against losses in 1982, on respective sales gains of 9.8% and 16.8% (see financial table). Zenith restated earnings for 1982 and first 9 months of 1983 because of accounting change. Effect was reduction of \$2.4 million in net for last year, \$2.5 million increase in loss for 1982.

Zenith said it joined industry in posting record unit color TV sales in 1983, though size of increased earnings from consumer electronics stemming from design & manufacturing efficiencies and cost cutting programs were partially offset by lower selling prices.

Those selling price cuts, elimination of audio and reduced VCR volume in preparation for this year's format switch from Beta to VHS, resulted in 1.7% decline in company's consumer electronics dollar volume last year to \$925.7 million from \$941.8 million. Growth came from Zenith's newer product areas, including CATV equipment, computer products, power supplies, video displays and Heath, with combined volume up 46.4% to \$435.6 million from \$297.4 million.

New products provided 32% of Zenith sales last year, up from 24% in 1982, and increased importance of that segment is presumably behind plan to change company name from Zenith Radio Corp. to Zenith Electronics Corp. Holders will be asked to approve switch at April 24 annual meeting.

Major non-operation contributor to Zenith's profit improvement was steep cut in net interest expense, \$8 million last year against \$23.9 million in 1982. Zenith said that resulted from planned inventory reduction plus high demand level. Also, not repeated in 1983 was \$15 million loss from VCR price cutting and inventory writedowns incurred in 4th quarter 1982.

SMC said high color TV & microwave oven sales, efficiency & productivity improvements, and reduced interest costs combined to provide near tripling of earnings in year to Nov. 30. Sales were up 21.1%.

SMC, subsidiary of Japan's Sanyo Electric which runs plant in Forrest City, Ark., maintained sales growth in final quarter, but net was down 56.4%. Company spokesman attributed that to large production run in quarter of high-volume but low-margin 13" models, size new to SMC last year.

Pioneer credited sales surge in videodiscs & players for strong performance in first fiscal quarter to Dec. 31. Videodisc product sales jumped 156% to \$61.7%, and \$37.6 million rise more than accounted for company's overall 6.7% sales increase in period. Pioneer said that while autosound sales continued strong, sales of home audio products were off 12%. It reported sales in Japan were up 15% to \$135.4 million, while overseas volume increased 2.2% to \$232.5 million.

Warner said Atari nearly broke even in 4th quarter, and as result parent will be profitable for

that period, but had loss of about \$420 million for full 1983.

Coleco denied its dismissal of 50 hq employees was linked to corporate cash squeeze, said move was made to eliminate duplication caused by its hiring of 400 during last 2 years. Coleco, which worked out revised short-term credit agreement with lenders last month, indicated it's now looking at ways to expand long-term financing.

Atari & Mattel videogame patent dispute was settled as Mattel became Atari licensee. Issue involved Atari game cartridge adaptor for Mattel's Intellivision videogame. Mattel's willingness to settle is believed related to decision to drop out of videogame business, sell electronics operation to new Intellivision Inc., being formed for purpose of acquisition. License agreement ends any issue of past liability for Mattel and presumably will pass to new owners. As part of another game industry settlement, Coleco agreed to stop using, at end of this year, name Gemini on free-standing Atari VCS-compatible videogame it introduced in 1983. Copyright infringement action had been brought against Coleco by Gemini Industries, game, computer & VCR accessories marketer.

Retail furor has erupted in Danville, Va. over plan of Danville Cablevision to open consumer electronics stores in Danville & Altavista. Existing dealers are concerned DC will offer special deals to its 22,000 area subscribers. At DC's request, city council deleted retail sale prohibition included in cable franchise, and legality of that move was upheld by state's attorney general. DC said it plans to conduct survey to determine types of consumer electronics and software products local residents want.

RCA Videodisc has stopped, at least for time being, acquiring rights to new programming, will concentrate on developing its role as CED player marketer and custom presser. It will continue to press & distribute titles already in its library. Move comes in wake of last year's reorganization in which player & disc operations were combined. RCA remains involved in new software acquisition & distribution through RCA Video Productions unit of RCA Records and joint venture RCA/Columbia Pictures Home Video.

Taiwan expects VCR production to total 130,000 this year, top 200,000 in 1985, enough to meet market demand there. Currently Tatung, licensee of JVC & Toshiba with 5,000-6,000 monthly capacity, and Sampo, in 3,000 monthly capacity venture with Sharp, are producing VCRs there. Taiwan affiliates of Matsushita, Sanyo & Sony are slated to start output this year.

Japan's Fujitsu plans to make hard computer disc drives in Cal. next year. Fujitsu said facility would assemble drives from U.S. & Japanese parts. Fujitsu is major private label as well as own-brand drive marketer, claims its 1983 drive sales of \$214 million represent 12% share of world market.

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Consumer Electronics

Thomas Steckbeck joins Sony Consumer Electronics senior vp... Jerome Lakas sales vp... James Lakas Electronics to service Brenizer, retiring; Ben service parts dir. to replace Lakas... dir., replacing Lakas... Sears from Merchandising planning senior vp to replace Lakas... vp responsible for planning relations & public affairs at Gusdorf from St. Louis region mgr.

Akio Morita, Sony NEC Pres. Tadahiro Seino when latter's term expires RCA pres., elected National chmn., replacing William Petrone, Polygram, named Magnavox, appointed vice Group following digital disaffiliation with RIAA association.

Mark Dellafera resigns Sine Qua Non Records... ex-Numark Electronics, Div. eastern sales mgr... videotape mktg. special former Sony Consumer Electronics to Magnetic Tape Div. a la named Communications & McEvoy, Showtime Video mgr., named vp.

Ralph Lancellotti appointed national sales mgr. to succeed ex-Max Factor, named president of anti-piracy system for founder Krag Brotby, who counsel & secy... Walter American Audio exec. vp International, joins educational Mindscape as sales & mktg.

Donald Helgesen advanced from production operations Varley appointed media & CBS/Fox Video International exec. vp & chief financial named strategic business Alan Kaupe appointed E.H. Ayres appointed E.H. International... Leonard G. Video Unlimited... Paul G. U.K., named chmn. of new entertainment; Barry Colwell, ex-CBS/Fox Video, and Cheryl Benton, ex-EMI production mgr.

Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available at press time. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
AM Cable TV Industries			
1983-9 mo. to Dec. 31	18,740,000	(2,789,000)	--
1982-9 mo. to Dec. 31	24,085,000	801,000	.22
1983-qtr. to Dec. 31	6,176,000	(1,512,000)	--
1982-qtr. to Dec. 31	8,641,000	246,000	.07
American Bcstg. Cos.			
1983-year to Dec. 31	2,948,849,000	159,834,000	5.45
1983-year to Jan. 1	2,664,528,000	160,027,000	5.54
1983-13 wk. to Dec. 31	871,280,000	49,570,000	1.69
1983-13 wk. to Jan. 1	759,682,000	41,064,000	1.42
Bell & Howell			
1983-year to Dec. 31	679,248,000	41,191,000	3.59 ^a
1983-year to Jan. 1	611,805,000	(2,930,000)	-- ^b
1983-13 wk. to Dec. 31	184,199,000	7,545,000	.65 ^a
1983-13 wk. to Jan. 1	162,948,000	(13,027,000)	-- ^b
Cowles Bcstg.			
1983-year to Dec. 31	23,867,000	4,484,000	1.13 ^a
1982-year to Dec. 31	20,541,000	3,690,000	.93
1983-qtr. to Dec. 31	6,412,000	1,312,000	.33
1982-qtr. to Dec. 31	5,678,000	993,000	.25
CTS			
1984-year to Jan. 1	306,153,000	9,145,000	1.61
1983-year to Jan. 2	256,954,000	9,368,000	1.78 ^b
1984-13 wk. to Jan. 1	78,057,000	1,803,000	.31
1983-13 wk. to Jan. 2	54,134,000	2,029,000	.37 ^b
Harte-Hanks Communications			
1983-year to Dec. 31	443,630,000	33,331,000	1.58
1982-year to Dec. 31	394,357,000	27,297,000	1.39 ^b
1983-qtr. to Dec. 31	121,402,000	10,519,000	.48
1982-qtr. to Dec. 31	109,469,000	8,451,000	.43 ^b
Heritage Communications			
1983-year to Dec. 31	105,972,000	5,353,000	.52
1982-year to Dec. 31	94,825,000	6,149,000	.63
1983-qtr. to Dec. 31	30,474,000	1,661,000	.17
1982-qtr. to Dec. 31	26,455,000	1,440,000	.14
Metromedia			
1983-year to Dec. 31	532,759,000	102,179,000	3.45
1983-year to Jan. 1	407,074,000	309,153,000	8.31 ^c
1983-qtr. to Dec. 31	160,346,000	37,205,000	1.27
1983-qtr. to Jan. 1	130,987,000	221,511,000	6.51 ^c
New York Times			
1983-year to Dec. 31	1,091,302,000	78,668,000	2.02 ^a
1982-year to Dec. 31	933,692,000	54,257,000	1.44 ^c
1983-qtr. to Dec. 31	298,116,000	20,905,000	.54
1982-qtr. to Dec. 31	252,092,000	9,535,000	.25 ^c
Pioneer Electronic^d			
1983-qtr. to Dec. 31	367,900,000	13,400,000	.23 ^e
1982-qtr. to Dec. 31	344,900,000	(4,500,000)	--
Sanyo Mfg. Co.			
1983-year to Nov. 30	332,121,000	2,618,000	.37
1982-year to Nov. 30	274,317,000	913,000	.13
1983-qtr. to Nov. 30	128,538,000	1,695,000	.24
1982-qtr. to Nov. 30	106,280,000	3,892,000	.56
Video Corp. of America			
1983-6 mo. to Dec. 31	14,124,000	938,000	.56 ^a
1982-6 mo. to Dec. 31	10,463,000	167,000	.10 ^a
1983-qtr. to Dec. 31	8,024,000	567,000	.34 ^a
1982-qtr. to Dec. 31	5,591,000	306,000	.18 ^a
Western Union			
1983-year to Dec. 31	1,044,829,000	(59,097,000)	--
1982-year to Dec. 31	1,024,950,000	85,782,000	3.50
1983-qtr. to Dec. 31	269,443,000	(125,769,000)	--
1982-qtr. to Dec. 31	249,362,000	14,287,000	.51

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Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available at press time. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
Wometco Cable TV			
1983-year to Dec. 31	58,056,000	6,126,000	.87
1983-year to Jan. 1	45,992,000	4,280,000	.61
1983-16 wk. to Dec. 31	18,982,000	2,605,000	.37
1983-16 wk. to Jan. 1	15,211,000	2,734,000	.39
Wometco Enterprises			
1983-year to Dec. 31	519,656,000	30,880,000	0.76 ^a
1983-year to Jan. 1	493,408,000	26,040,000	0.51 ^a
1983-16 wk. to Dec. 31	162,061,000	10,615,000	.60
1983-16 wk. to Jan. 1	152,178,000	7,792,000	.45 ^a
Zenith Radio Corp.			
1983-year to Dec. 31	1,361,300,000	46,300,000	2.25
1982-year to Dec. 31	1,239,200,000	(24,300,000)	(1.28) ^b
1983-qtr. to Dec. 31	363,200,000	13,600,000	.61
1982-qtr. to Dec. 31	311,000,000	(17,700,000)	(.93) ^b

Notes: ^aIncludes special credit. ^bRestated. ^cAdjusted. ^dAt yen's current rate. ^ePer ADR.

Playcable, Mattel-General Instrument joint venture to supply Intellivision videogame software direct to homes via CATV, is slated for shutdown next week. Move wasn't unexpected. Service never had more than 20 affiliates or achieved better than 1.5-2% penetration, and Mattel is getting out of electronics business. Playcable, announced in 1979, was pioneer in electronic home software delivery. It represented merging of 2 previously unrelated GI capabilities. GI designed & made Intellivision console & cartridge ICs, and is CATV equipment supplier. Playcable's start-up was hampered by late, then slow, game console shipments. Everything needed for Playcable's success wasn't in place until 1982, but by then home computers and Coleco's competing Colecovision were offering superior performance and market had fragmented. Concept is still very much alive, however. Several companies now offer phone or cable delivery of computer & game software, Coleco is involved in developing phone delivery venture with AT&T, while Atari & Activision are cooperating with as yet unidentified 3rd party in venture expected to use broadcast delivery system.

Latest Nielsen Home Video Index survey report on VCR usage, due to be sent to subscribers next month, will contain 12-14 categories on such details as use of remote control and video cameras, length of ownership, number of hours recorded monthly. Previous report covered 5-6 such topics. Nielsen said 55% of 1,100-home sample in top 10 markets returned diaries. Nielsen also is working on retail activity measurement service, may start in midsummer.

Sanyo will use Philips' mini-neck (22.8) picture tubes with CFF (conical field focus) gun system in its U.S. output, receiving pilot quantities of tubes in first quarter, production quantities early in 2nd. CFF, designed for standard performance at low cost (TVD March 21 p10), is Philips' competitor to RCA-developed COTY-29 tube.

3M's updated video market estimate calls for U.S. consumers to buy 4.1 million VCRs, 93.3 million blank videocassettes, this year. It sees duplicator sales of recorded cassettes at 8 million, industrial market absorbing 16 million blanks, bringing total demand for videocassettes to 117.3 million.

margin was too small to hurt anyone here. Size of final margins makes positive injury finding by ITC virtually foregone conclusion.

Gold Star and Sampo are in best position, among affected importers, to cope with problems dumping finding will create. They have color assembly plants operating here and can minimize need for increasing prices to avoid dumping duties on imported sets by stepping up their U.S. output. Dumping finding covers only complete color sets, not chassis imported for assembly.

Tatung has small assembly operation in Cal., and while it built color plant in Atlanta in 1981, it now makes only electric fans there. That facility presumably could be equipped for color. Samsung recently broke ground for color plant in N.J., won't have it in operation until late this year. AOC had plan for color plant in Kansas City, but abandoned that several years ago. Daewoo acquired former Taihan color business early last year, is still in process of modernizing facilities in Korea and, at last report, hadn't given much thought to U.S. production base.

TIMEX OUT; ATARI TURNING CORNER? Computer-game industry got new series of shocks last week when Timex became 4th major hardware dropout of year, Commodore boosted software prices to distributors and, on upbeat side, Warner released 4th quarter financial results that indicate Atari's financial fortunes may indeed be turning around. Meanwhile, Mattel completed its market departure, finalized sale of electronic business to Intellivision Inc.

"It came as a total surprise," national distributor said in reference to Timex's sudden decision to quit home computer business. Just days earlier, Timex salesman "were here trying to sell me on their new line, and I got a sample of their new modem just yesterday," he told us. As has been tradition with privately held Timex, company was essentially closed-mouth about move. Mktg. & Sales Vp Michael Jacobi broke silence only to say company felt market was too volatile to produce reasonable profits.

Timex, of course, had full share of responsibility for computer price wars. Low-end Sinclair computer it introduced in 1982 at \$99 was selling for as little as \$49, with 16K memory expander, at end of last year. In dropping out this year, Timex joins computer marketers Tomy and Panasonic, as well as Mattel, which is selling Intellivision operation. Biggest defection came last fall when TI threw in towel.

As always happens in such cases, retailers who handle Timex computers are left in lurch. Sears, for example, devotes full page in new spring catalog to Timex's new \$100 & \$180 full keyboard models and their accessories. Also left hanging is U.K.'s Sinclair Research, which has lost its U.S. computer distribution and is in no position to take up slack itself. Timex was having its new low-end computer assembled in Korea, but was building step-up in own European plants. Timex said it plans to continue as contract assembler of computers and pocket TVs for Sinclair.

Sinclair said it won't reintroduce any of Timex's computer models in U.S., but it plans to start selling \$100 2" b&w TV and new \$580 QL computer here on its own this summer, but is having trouble filling orders now in U.K. Company reportedly has delivered only 1,000 TVs since introduction last fall because of production problems, has unfilled orders for some 7,000. Sinclair also is heavily backordered on QLs, but blames that on unexpectedly strong demand. QL is being assembled by Thorn EMI, which doesn't expect to be operating at peak 20,000 monthly capacity until summer. QL, however, faces uncertain reception here. Neither software suppliers nor retailers have much interest in supporting yet another new home computer format.

Industry is crediting Commodore's new management for company decision to boost software prices, expects it to be followed by wholesale increase for popular model 64 home computer. While most increases were very modest, some amounting to little more than upward roundoff of some strange price points, there also were programs, in applications software area, where prices doubled & tripled.

Explanation we got from insiders is that boosts were reaction to excessive software price reductions Commodore instituted last June, and are intended to bring retail prices more into

CHANGE

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line with competition and actual costs. Meanwhile, Commodore said computer retail sales survey cited here last week substantially understates its actual market share. While its claim for 15% share for Vic 20 is in line with 13% shown in survey, Commodore claims 64 accounts for 45% of home market, which is far cry from 11% it got in survey. Reason may be that survey centered on multi-line retail outlets, didn't include toy and discount specialists that account for major portion of Commodore sales.

Recent Warner contention that subsidiary Atari was pulling out of tailspin was upheld in year-end financial statement showing Atari's loss in 4th quarter was just \$2.23 million, against \$536.3 million deficit piled up in first 9 months. Sales in quarter were down 38.5% to \$367.7 million, a modest improvement from 46.9% fall-off in Jan.-Sept. Elimination of Atari's severe drag on earnings allowed Warner to show consolidated net of \$6.9 million for quarter, though loss for year was \$417.8 million.

Mattel sale of electronics operation for \$20 million gives Intellivision videogame system new home, but still leaves its future open to question. Primary member of investor group heads Odd Lot, retail close-out chain that handled liquidation of Mattel's Aquarius computers and 13" Samsung color TVs Mattel was offering as premium to Aquarius and Intellivision buyers. That alone is enough to raise some eyebrows. New owners insist every effort will be made to keep Intellivision console and software in market. But belief in trade is that rough market times will continue through most of this year at least and that new owners may not be willing to pump in enough additional financing to keep Intellivision afloat.

U.S. OUTPUT LAGGED IN RECORD COLOR YEAR: 1983 was color TV record setter in virtually all major areas — sales to dealers, factory shipments, total supply and presumably retail sales — but domestic factory production was sole glaring omission. U.S. factory output was indeed up from 1982, but that was down year, and 1983 production level was below that of both 1980 & 1981, years in which significantly fewer color sets moved through pipeline. That's picture derived from our analysis of EIA and Commerce figures.

Total new color supply, equal to production plus imports, rose 22.2% last year to just over 14 million, eclipsing 12.4 million mark of 1981. Fourth quarter supply, up 48.6% to 4.2 million, easily shattered previous quarterly high of 3.72 million set in 3rd quarter last year.

Having suffered in 1982 from impact of high interest rates, domestic producers went into 1983 with very conservative approach to production and goal of keeping inventories down. Industry also went through most of year underestimating market potential. Production, including that in foreign-owned factories here, was held below that of 1982 in first & 2nd quarters, figures show. Output was boosted moderately in 3rd quarter, and while hike was more substantial in 4th quarter as plants tried to catch up with market, 2.7 million production total was good for only 3rd place in list of all-time high quarters. It trailed 2.76 million and 2.72 million reached respectively in 4th & 2nd quarters of 1980, year in which still-standing production record of 10.5 million was set.

Domestic factory hold-down at time of record demand left door wide open for importers, and march through they did. Imports of complete color TVs set new records for each quarter last year, hit all-time quarterly high in 3rd quarter at 1.09 million, beating out 933,000 mark that had stood since 3rd quarter 1976, topped that in 4th. Second half import total of 2.59 million would alone have represented 3rd biggest full import year, exceeded only by 2.83 million of 1976 and 2.78 million of 1978.

Closing quarter color import surge, during which shipments from Korea leaped 178%, those from Taiwan climbed 138% and Japan had 95.8% rise, left imports with 35.7% share of market at new supply level, up from 22.1% share in same 1982 period. That's highest since 39.2% share in 4th quarter 1976. For year, imports accounted for 29.9% market share last year, up from just 19.1% in 1982, and 2nd highest in history to 35% of 1976. Factoring in color TV chassis & kit imports of 821,600 for quarter, 2.77 million for year, indicates that 55.2% of all new color TVs in 4th quarter, and 49.7% in year, were either foreign made or assembled here from largely

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Japanese exporters that new tougher policy will be applied to ITA's investigation of their U.S. pricing.

In our report on ITA margins, we indicated Daewoo, marketer of Portland brand sets, was assessed average dumping margin of 16.57%, Korea's highest. That level actually applied to sets exported by Taihan before Daewoo took over its consumer electronics business last year. So dumping duty bonds required on color TV shipped in from Daewoo will be only 13.9%, which represents overall average margin for Korean producers. Overall average for Taiwan, not indicated here last week, was 5.46%. Sampo, which was tied with Fulet for highest Taiwan margin with 23.77%, had margin of just 0.64% in original tentative determination, but, we've learned, that was later boosted to 11.34%.

ITC expects to wrap up hearing in single day, has given domestic complainants combined 60 min. for oral argument, while, as groups, Korean & Taiwanese representatives get 50 min. each for rebuttals. However, there's no time limit on staff presentation nor on questions speakers may have to field from opponents or commissioners. Appearing for U.S. industry as group will be representatives for unions filing original dumping complaint. GE & Zenith, which later joined as co-complainants, also will make presentations.

RCA will be sole U.S.-owned manufacturer appearing in opposition to injury determination, but, we're told, only as it would apply to RCA. Only imports are 9" color portable from its plant in Taiwan. Only other domestic company will be Emerson, major private label customer of Korea's Gold Star. Other Taiwan companies with individual presentations are scheduled to be Japanese-owned Sanyo & Hitachi, and AOC, owned by Taiwan & Hong Kong investors. Sampo, Fulet & Tatung, all Taiwan-owned, will appear as group. Korean position also will be given by Anam, Gold Star & Samsung. Pair of TV makers that won't show up are Taiwan's Orion and Korea Electronics, both with dumping margins so low they've been excluded from finding.

FMA FADING? Chances of Fair Marketing

Amendment, which seemed nearly certain to pass last month, appear to be fading. Opposition led by Home Recording Rights Coalition had been outflanked by Reagan Administration endorsement of FMA and unexpected support from educators, and final outcome still is anyone's guess, but now congressional support is cooling for measure that would give studios right to share in retailer cassette & disc rental revenues.

Last week, following Senate Copyright Subcommittee failure to get quorum needed for FMA markup & vote, Sen. Dole (R-Kan.) quit as co-sponsor. This is election year and, HHRC spokesman says, Committee members are responding to its grass roots lobbying. "They get more votes from local businessmen than they do from Hollywood." With active support lessening, FMA has lost its priority status, hasn't been rescheduled. Said aide to Chmn. Mathias (R-Md.): "We've turned our attention to other things."

FMA is still under active consideration by House Copyright Subcommittee which will hold yet another hearing, this one expected to feature Vestron Video and possibly Karl Video, 2 independent marketers now against passage. That's another setback for FMA backer MPAA, which thought it did good job rebutting opposition at earlier hearings, now must face another round of witnesses. If there are no more hearings, House markup could still come before adjournment, but plenty of unheard potential witnesses are still available, and from HHRC standpoint any delay can only help.

Odyssey home videogame, and probably interactive videodisc operations, have been moved out of NAP Consumer Electronics by parent North American Philips and into new Philips Home Interactive Systems subsidiary, not directly connected with CE, though headquartered in Knoxville. PHIS will have responsibility for broad range of interactive areas, including games & computers, such related activities as word processing, education and home management — presumably software — communications, art & music. Named pres. of PHIS was Louis Arpino, former vp who interrupted 12-year career with NAP component manufacturing subsidiary Amperex to spend 2 years with N.V. Philips in Holland. Arpino, it's understood, is putting together own marketing team.

Comodore withdrew, at least until May, just-announced software price increases (Feb 27 p11). Company notified distributors of latest flipflop too late to prevent issuance of revised price sheets to retailers. It offered no explanation, but it's believed hike drew heavy fire from catalog marketers whose spring books are already printed and on way to consumers.

VCR sales passed 10-million landmark in Feb. Cumulative sales of home VCRs to dealers, as reported by EIA since 1978, plus Commerce Dept. import data for 1975-77, indicate 10,101,198 were sold through Feb. 17. Taking into account dealer inventories, re-exports and home VCRs used for non-consumer purposes, we estimate that more than 9 million are in home use.

14-day timer \$1,100, high-end autofocus stereo sound camera \$950. Sony Betas are 3-day one-event wireless remote at \$600, portable at \$650 with wireless remote 4-event 14-day tuner-timer \$250, camera \$650.

Dry-to-day gyrations in computer & game industry are giving catalog marketers fits. Sears has full page devoted to computers & software Timex discontinued 2 weeks ago, and pricing on Commodore software doesn't reflect recently announced increases. Ward shows complete Adam computer system at \$589, Adam add-on at \$439, prices presumably based on what Coleco charged before Jan. 1 increase went into effect. Sears catalog has same items selling at \$700 & \$530. Penney was left hanging by Milton Bradley, devotes full catalog page to listing for discontinued Vectrex game, including 3D electronic goggles MB displayed but never got to market.

Customers can save money on computer & game consoles by letting fingers walk through different catalogs. Penney lists Atari 2600 videogame at \$100, step-up 5200 at \$150. Sears & Wards have them at \$60 & \$120 net after customer gets back \$30 rebate not mentioned by Penney. However, Penney gets \$120 for Colecovision, against \$129 at Ward, \$130 at Sears. Ward undersells Sears on Commodore 64 computer, \$189 vs. \$230, undercuts Penney on Atari XL800 computer, \$250 vs. \$300. Penney & Ward match at \$150 on XL600

Mergers & acquisitions: Ford & RCA sold Brazilian IC manufacturing venture, Philco Semiconductors, to Sharp Equipments Electronicos for reported \$9 million. Plant is Brazil's only fully integrated IC production facility. Sale was made because of govt. regulation that all companies in computer-related activities be 100% locally owned. SEE is holding company owned by Brazilians which has majority interest in manufacturing ventures there with Japan's Sharp... Lionel agrees to sell its 82% interest in profitable components maker Dale Electronics to Dynamics Corp. of America for \$59.5 million, subject to court approval, as toy marketer is in reorganization under Chapter 11. If deal is cleared, DCA expects to make same \$20.17 per share offer to holders of remaining 18% of Dale. DCA bid topped \$57.5 million offer made by Dale management in conjunction with group of outside investors... McKesson Corp., marketer of chemicals, medical supplies and liquor, along with Pittsburgh-based housewares importer Action Industries, have completed previously announced acquisition of computer software distributor SKU.

China is seeking U.S. companies interested in helping it develop audio cassette, computer disc and silicon transistor manufacturing it plans to construct in Shanxi province as part of 104-project \$250-million program for area. China said payment would be in cash, trade and venture participation. Chinese officials will discuss projects with interested companies at Trade Opportunity Fair opening in L.A. Sheraton Plaza this week.

ITC BARS APPLE COPIES: International Trade Commission responded to Apple's claim of unfair import competition by recommending ban on imports of computers & parts that infringe company patents & trademarks. Unless President Reagan adopts some other protective measure, Customs will start turning away offending imports at end of April.

In interim period, Customs will require importers of equipment thought to be infringing to post bonds equal to 200% of shipment value. Exclusion order, however, apparently doesn't effect Apple-compatible computers imported without certain operating system and memory ICs.

Manufacturers in Taiwan were considered to be major offenders. In reputation protection move last year, govt. cracked down on computer pirates, sent some to jail, is revamping copyright laws. Apple has gotten similar action in Hong Kong. Earlier this year, Apple won settlement in infringement action against Franklin Computer.

Ad notes: Consumer electronics marketers spent \$222.4 million on network TV last year, up 2.1% from 1982, TvB reports. Outlay for computers, copiers & office equipment doubled to \$260.2 million... Magazines on video are growing, according to ABC, which reports that in 6 months to Dec. 31, circulation of Video rose 61.5%, while Video Review enjoyed 55.1% boost. But such success is selective. Harris Publications has dropped monthly Home Entertainment & Electronics magazine. Zenith will use "The Smart Decks" as theme for next month's launch of new VHS line... Sony was best remembered name in ads appearing in Jan., drawing 4.3% response among adults polled by SRI Research for Ad Age. RCA was 2nd with 3.6%, followed by GE at 3.1%. In computers, Apple was on top with 28.2%, presumably due to effort behind Macintosh launch, followed by IBM at 11.5%, Commodore at 7.5%, Atari with 5.6%.

Motorola is target of possible takeover, according to Merrill Lynch, which says large IC user is considering purchase of major interest in company. Speculation on identity of buyer centers on GM, but auto maker said there's "no basis" for its inclusion in rumor mill. Another possibility is AT&T, which recently offered \$65 million for majority interest in U.K. IC producer Inmos, but was turned down, and is considering investing \$200 million in Spanish semiconductor joint venture. GE, meanwhile, issued "categorical denial" regarding Wall St. rumors of pending major acquisition. However, GE said, it's constantly looking at acquisition candidates in high-tech and fast-growth services areas.

High consumer demand for TVs, VCRs and microwave ovens helped major retailers post strong sales gains in Feb. Among dealers specifically noting boost electronics volume gave sales last month were May Stores with overall 15.8% retail sales rise, Montgomery Ward, up 20.2%, Penney up 21.2%.

Apple is terminating sales franchise of unspecified number of retailers for violating contract ban on transshipping.

MTS RECOUNT URGED: Dolby Labs last week urged EIA's Multichannel TV Sound Subcommittee to reverse its recommendation of dbx companding system on grounds that dbx misrepresented licensing costs. Dolby said subcommittee members may have voted for dbx system on basis of its claim to be "the nickel companding system," whereas it turns out that 5¢ royalty is for manufacturers who produce more than million MTS sets in 6-month period, and royalties actually run as high as 50¢ a set.

Dolby's move is seen merely as protest, and there's virtually no likelihood of subcommittee's changing its recommendation, particularly in view of fact that FCC is expected to consider MTS issue week of March 26.

Meanwhile, dbx licensed 2nd chip source -- NEC, now said to be producing ICs for its noise-reduction system. Matsushita is also producing chips under dbx license. Dbx, which first said 2 licenses might be required per set (for stereo and 2nd audio channel), said last week only one expander circuit would be required, and could be switched according to receiving mode (TVD March 5 p13). Dbx plans to offer complete expander circuit boards in about 6 weeks to set makers which don't choose to build own.

So far as industry is concerned, big question continues to be whether FCC will choose industry recommended Zenith-dbx MTS system or issue marketplace decision permitting use of any qualified system. "I don't know if the FCC can go as far as selecting a single system," we were told last week by Mass Media Bureau Chief James McKinney. He said, however, he hoped Commission "protects" industry's chosen system by barring use of any other system which would interfere with its pilot subcarrier.

"I don't want to slow down the TV set makers," he said. As for petition by Blonder-Tongue to hold up proceedings because of problems with subscription TV, he said points raised "don't bother me in the least" because STV's scrambling "has been so poor I can't step in and help them." He indicated he didn't favor MTS must-carry for cable systems. He added: "We are not selecting the system. We are protecting the system that the industry picked."

ABC, meanwhile, decided against using MTS for summer Olympics "barring 11th hour change" because it doesn't expect "inexpensive set top converters to be in the Spanish community in any numbers" by that time. Network had been considering both stereo & bilingual telecasts of games. ABC will field-test MTS as soon as permissible on its WLS-TV Chicago.

CBS is "waiting for Commission action" before discussing plans for MTS, we were told by Best. Group Communications Vp George Schweitzer. However, he saw stereo "enhancing entertainment programs" and having "exciting potential in sports." NBC & PBS said they're waiting it out, too, NBC declining to discuss reports it would broadcast Johnny Carson Show and Friday Night Videos in stereo.

Former Sylvania TV plant in Smithfield, N.C. has been purchased by Avnet, will use 700,000-sq.-ft. facility to manufacture Channel Master home satellite, TV antennas, cable TV equipment.

COLECO IN RED: Steep costs of Adam computer development and introduction, plus failure to deliver system in planned quantities, produced \$35 million loss for Coleco in 4th quarter, left it with \$7.4 million loss for year, company reported last week. Sales were down 13.4% for quarter but up 16.9% for all of 1983 (see financial table).

At end of last year, Coleco said that it expected to show deficit in final 1983 quarter, but that it expected to be profitable in opening period this year. Company now says it may not be back in black until 2nd quarter. Coleco continued to deny reports it was having quality problems with Adam, said it has doubled warranty to 6 months, and that current production was running "several thousand" systems daily.

N.V. Philips said its 4th quarter earnings were nearly triple those of 1982, largely due to improved sales in U.S. & Canada, but called sales of audio & video products, appliances & personal care products disappointing. Fourth quarter profit rose to \$97.9 million from \$35.4 million in 1982 period on 15% sales increase to \$4.92 billion. For full year 1983, earnings rose 49% to \$222.2 million on 7% sales hike to \$15.86 billion.

Webeor said declining demand for telephone equipment was reason for sag in results in fiscal 3rd quarter Dec. 31. Company said sales of telecommunications products were just \$4.7 million, down from \$12 million in 2nd quarter. On consolidated basis for that period, Webeor reported 34.7% earnings drop to \$247,600 on 24% revenue decline to \$6.37 million. For 9 months, net was up 112.6% to \$2.32 million on 53.1% sales rise to just over \$31 million. Webeor said its prime Hong Kong phone supplier is now fully owned subsidiary. Webeor had owned 50%.

Morse continued profitable in 3rd quarter to Dec. 31, earning \$210,000, against \$991,000 deficit in same 1982 period, on 2.8% sales rise to \$11.2 million. For 9 months, sales were down 3.7% to \$30.9 million, but company had \$842,000 profit, against year-earlier loss of \$1.3 million.

MCA-Disney petition asking Supreme Court to reconsider Betamax decision is expected to fall on deaf ears. Plaintiffs' request for rehearing said ruling failed to reflect realities of current marketplace. Supreme Court rarely grants such petitions -- last time was 40 years ago, one lawyer told us.

Korea will open home market to more consumer electronics imports July 1, 1985. Among products on which restrictions will be lifted are TVs in 9"-&-under and 19"-&-over class and audio recorders. Bar to imports of 10-18" TVs will be removed in 1986.

Technicolor parent MacAndrews & Forbes received holder approval for plan to go private. Investment group led by M&F Chmn. Ronald Perelman will pay \$52.7 million for 66.2% interest it doesn't already control, absorb M&F into new holding company March 14.

NOV. 24, NO. 11
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MARCH 19, 1984

GRUNDIG-PHILIPS BARRIER: Germany's Cartel Office has raised some objections to planned transfer of control of nation's largest consumer electronics producer Grundig to Dutch Philips, and as result April 1 completion target date may be moved back. Also in continuing internationalization of Germany's consumer electronics industry, France's nationalized Thomson plans to acquire 25% interest in Telefunken it doesn't already own.

Philips, already owner of 24.5% of Grundig, is joining with bankers in scheme that would give investment group 50.4% interest and management control to Philips. But Cartel Office says deal would be anticompetitive unless Philips disposes of its 15% interest in German TV maker Lowe-Opta and pulls out of German market for dictating equipment. Philips reportedly has 50% of dictating machine business in Germany, Grundig about 25%.

Cartel Office indicated Philips needn't dispose of those holdings before joining in Grundig takeover, but it would have to agree to sell them off in reasonable period of time. Philips officials said company would have no comment until objections were fully studied.

Thomson purchased 75% interest in Telefunken's consumer electronics business from German parent AEG last year (TVD March 14/83 p12), has agreed to pick up remainder in exchange for giving AEG about 3% of new Thomson consumer electronics subsidiary Thomson Grand Public (TGP), previously owned 100% by Thomson group. TGP was one of 5 new subsidiaries formed from old Thomson-Brandt in reorganization which permits them to raise own funds individually on both private and financial market basis.

TGP also owns German consumer electronics manufacturers Dual, Nordmende & Saba, and after completion of new Telefunken acquisition is expected to consolidate those operations into unified organization.

RCA'S TAPE PUSH: RCA's promised move to recapture significant share of blank videocassette market (TVD Sept 26 p12) is now being implemented by Distributor & Special Products Div., which also handles large line of video accessories.

RCA has just added Beta cassettes to its line of VHS tapes produced for it in Atlanta plant by Maxell, subsidiary of Hitachi which makes RCA's VCRs. RCA has redesigned tape packaging, is adding Beta L-500 & L-750 cassettes to line which also includes VHS T-60, T-120 & T-160 blanks. DSPD Vp Don Weisenstein said RCA has switched to standard VHS tape designations (T-60, etc.), but boxes also contain RCA's former designations (VK-250, etc.). Coming soon is line of super high grade tape, starting with T-120 & L-750 types.

Hong Kong's 4th annual Electronics Fair is set for Oct. 2-4 at H.K. Exhibition Center.

PHONE-MATE STUMBLES: Spectre of 1977 CB market disaster was raised over home phone business last week by Phone-Mate with announcement it would be dumping its inventory of cordless phones "as quickly as possible at the best available prices." Result of liquidation, P-M said, would be 1983 loss of more than \$5 million. Ultimate size of deficit won't be known until renegotiation of purchase commitments with Far East suppliers, company stated.

Causes of P-M's problem, company said, were late delivery from suppliers, intense price competition stemming from industrywide inventory glut and, in throwback to CB days, inventory obsolescence created by FCC's granting industry's request for additional channels. P-M said it has run into "strong resistance" from customers to its cordless line since competitor (reportedly Uniden) introduced multi-channel phones sooner than anticipated.

P-M said it has cut workforce 40% to 138 to hold costs down, and has opened negotiations on affiliation with unidentified company. P-M indicated merger or joint venture are possibilities. P-M's current net worth is about \$9.2 million, including \$5.86 million in new capital raised though stock offering made last year.

Korea's Samsung acquired license from U.K.'s Sinclair to assemble & market small ZX81 and standard keyboard Spectrum home computers. Arrangement is only for sales in Korea, but door appears to be open for Samsung to export to U.S. Timex, under its own brand, was exclusive U.S. distributor for those models until last month, when it announced it was quitting computer business (TVD Feb 27 p11). At that time, Sinclair said it had no plans to market those products in U.S. itself. Sinclair does, however, plan to introduce its more advanced QL computer here, but on delayed basis. Company said it has run into development difficulties and won't be shipping in U.K. until later this month, or about 30 days behind schedule. Target date for start of U.S. sales has been changed from 3rd to 4th quarter this year.

Vectrex closeouts are starting to show up, now that Milton Bradley has discontinued videogame console that features built-in 9" X-Y monitor display. Unit, which entered market 2 years ago at \$200, and had dropped to \$100 by end of last year, is being offered by Gimbels in N.Y. for \$50. Game cartridges, formerly running as high as \$30 each, are now \$7.

Ad notes: Sears appoints Ogilvy & Mather for business system centers, replacing N.W. Ayer, recently awarded J.C. Penney national ad account. O&M currently handles Sears consumer electronics, appliance & auto accounts... Gellman PR opens at Northside Plaza, Pomona, N.Y. 10970, has GE, Du Pont among clients... Consumer electronics marketers spent \$120.4 million on national & regional spot TV last year, up 11.5% from 1982, TvB reports.

NOV. 24, NO. 12
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SONY RESULTS UP: Sony reported record consolidated sales, nearly tripled profits in opening quarter to Jan. 31 (see financial table), said VCRs and color TV led volume gains, credited production efficiencies, other cost reductions, for earnings improvement.

Though net was up 189%, increase in operating income was just 76.9% to \$139 million. Sony has \$3 million foreign exchange gain, against \$19 million loss in same period last year; interest expenses were \$5.8 million lower, and income from interest & dividends was up \$8 million.

Sony said VCR products, including tape, rose 17.7% to \$567.8 million, TVs were up 15.7% to \$317.5 million, while audio volume slipped 2.6% to \$263.6 million. Sales of other products, including office equipment, rose 24.2% to \$164.8 million. Overseas volume rose 12.8% to \$928.3 million, and sales in Japan increased 14.4% to \$385.5 million.

Sony said unit VCR sales were up 37% in period to 690,000. In Japan, Sony unit VCR sales rose 56.5%, value jumped 71.2%. In U.S., units were up 45%, value 47%. Sony said faster increase in value of sales reflects growing popularity of high-end Betamovie camcorders and Beta Hi-Fi decks. However, EIA figures show total VCR sales to dealers in Nov.-Jan. at 1.42 million, up 82.4%, indicating Sony lost market share.

In TV, Sony said color sales rose 7.7% to \$268.7 million, b&w jumped 260% to \$19.4 million on strength of demand for pocket Watchman models, projection systems were up 68.8% to \$15.7 million and other, including video components, rose 34.1% to \$13.8 million.

Sanyo credited soaring VCR sales, particularly in U.S., where it sells both Beta (Sanyo brand) & VHS (Fisher) formats, for 17.8% rise in consolidated net profits to \$151.7 million for year to Nov. 30. Sales were up 9.3% to \$5.05 billion, at current exchange rates. Japanese producer said volume of its Special Equipment Group, which handles office automation equipment, more than doubled last year.

Mattel said Electronics Div. and other discontinued operations lost \$170.3 million in quarter to Jan. 28, ran up deficit of \$420.7 million for year. Loss presumably includes cost of settlements worked out with Mattel Electronics suppliers. Since announcing it was quitting electronics business and selling rights to Intellivision, Mattel has been compensating suppliers for contract termination with payments that include transfer of such assets as finished & unfinished inventories, plants & equipment in Far East.

Toys "R" Us chain said sales of electronic products, including computers & videogames, rose 22.1% to \$126.6 million in quarter to Jan. 29, were up 19.6% for year to \$224.3 million. Electronics represented 18% of volume for quarter, 17% for year, both down by point from same fiscal 1983 periods.

Retailer said price reductions by electronics suppliers resulted in \$1.69 million inventory credit last year, against charge of about same size in preceding year.

KOREAN RANKINGS: Korea's Big 3 consumer electronics & appliance producers had banner year in 1983, according to their financial reports, which show each had leadership niche to brag about.

Gold Star was far & away Korea's overall sales leader, Samsung was export star, while Daewoo Electronics, which acquired Taihan's consumer product business early last year, was fastest growing, though its results were somewhat dwarfed by those of other 2. Those companies account for vast bulk of Korea's product output, most of domestically owned production of such key components as semiconductors, TV picture tubes.

Gold Star's overall sales last year were up 64.4% to \$934 million, followed by Samsung with 65.9% rise to \$883 million, while Daewoo had 16-fold jump to \$209 million. Gold Star also was profit leader, with pre-tax net up 175.5% to \$33 million. Samsung earnings rose 313% to \$26 million and Daewoo experienced 176.2% jump to \$5.8 million.

It was in domestic market that Gold Star picked up most of its volume, with 53.9% sales rise to \$567 million. Samsung's sales in Korea rose 48.1% to \$400 million and Daewoo leaped tenfold to \$120 million. Gold Star's exports were up 84.7% to \$367 million, trailing those of Samsung, with 83.9% rise to \$483 million, making it only one generating more than half its volume in foreign markets. Daewoo's exports climbed 168.5% to \$89 million.

Big 3 are expected to grow to Big 4 later this year with addition of Hyundai Electronics, formed as consumer & commercial electronics manufacturer last year by Korean heavy industry conglomerate. Koreans are counting on such major new high-volume products as VCRs, computers and memory ICs to generate enough sales to minimize overall impact of HE's market entry.

RCA's interactive remote CED videodisc player is just basic stereo player with extra electronic control circuit board, according to article by design team in RCA Engineer magazine. Authors said they worked under development constraint requiring no changes be made which would burden "the high-volume low-end player design with additional parts and their associated cost." Player has computer control interface built-in, and article says RCA already has software needed for connection to Apple, Atari, Commodore IBM and Timex personal computers.

Coleco cut 300 from production workforce at Amsterdam, N.Y. plant, where Colecovision games and Adam computer systems are made. Move follows its recent dismissal of group of hq employees. Latest firings, Coleco said, were result of production efficiencies that made affected workers surplus.

MORE GAME-COMPUTER CHAOS: In continuing convulsion of home computer & videogame industry last week, there were 2 more casualties, one apparent format recovery, more layoffs and parts-maker bounceback.

Added to casualty ranks were Odyssey game operation of NAP Consumer Electronics and computer-game marketer Spectravideo. NAP, making official what it has been hinting for some time, said production of Odyssey game has been halted, and operation was being wound down. NAP said it had big enough stockpile of game consoles & cartridges to continue filling orders into early 1985.

NAP CE was going out of game business in any event, with responsibility for Odyssey scheduled to be shifted to new NAP subsidiary Philips Home Interactive Systems. PHIS will take over NAP activity in home computers, software, home management and be involved in videodiscs (TVD March 5 p15). Unit isn't part of NAP CE.

At Spectravideo, Pres. Harry Fox & Vp Alex Weiss have agreed to sell their combined 60% interest to Hong Kong partner Bondwell Holdings and leave company, providing settlement of \$2.8 million SV debt can be worked out with creditors. Alternative would be Chapter 11 bankruptcy filing.

BH is parent of Bondwell Systems, producer of SV computers, videogame cartridges & accessories, and already owns 16% of SV. Remaining shares went to public in offering floated last May (TVD April 25 p18). SV, through BH, was involved in development of Japan's MSX home computer standard, and when agreement on format was announced last June, company said it would have MSX computer on market in 4th quarter 1983. Date was later moved to this April, then postponed indefinitely.

Revived is Aquarius home computer, which was taken over by Hong Kong manufacturer Radofin after Mattel dropped product in preparation for its complete departure from electronics business. Cezar Industries, Glendale, Cal. marketer of professional TV editing & recording equipment, says it has acquired U.S. distribution rights, will report plans at N.Y. news conference, April 4. Heading up sales & mktg. is Vp O.J. Pattie, former national accounts mgr. for Admiral.

Coming back to health is IC producer Nitron. Company has been struggling financially since Dec. 1982, when its prime customer, computer marketer Astrocade, filed for bankruptcy under Chapter 11, leaving Nitron with large investment in computers & parts and massive debt. Nitron said all claims relating to its Astrocade involvement have been settled, and that it will get \$900,000 in cash payments and liability reductions. Also, Nitron was given clearance to sell its inventory of Astrocade computers and cartridges in open market.

Atari is laying off up to 260 salaried employes in various operations, adding 50-60 to sales, marketing & engineering staffs. Move is part of streamlining

program begun by Pres. James Morgan after his arrival last summer. Operation being eliminated is Atari Program Exchange which marketed by mail programs developed by outsiders. Atari sometimes acquired rights to those that proved popular, added them to regular line. Company said it will continue to look at incoming programs, but only with eye to rights acquisition. R&D effort is also being revamped to concentrate on products that can be brought to market within 4 years.

Atari said sales of leader 600XL computer console have been sluggish since Jan. 1 price increase, indicated model may be discontinued. Sales of step-up 800XL haven't been impacted by higher price, company said.

* * * *

Phaseout of Odyssey will put end to oldest name in home videogames. In 1972, before its acquisition by NAP, Magnavox launched today's game industry with introduction of first Odyssey console, produced under license from Sanders Assoc. It was b&w game listing at \$100, and came with 12 printed circuit cards that programmed variations, along with appropriate TV screen overlays, game pieces, etc.

Odyssey wasn't highly promoted, was soon overshadowed by Atari's introduction of Pong, and later entry by companies offering consoles containing 3-game chip developed by General Instrument. Game market suffered first collapse in 1976 as prices dropped below \$30, but started reviving following year with Atari's introduction of first successful electronic cartridge programmable game. Current programmable Odyssey was launched in 1978.

Odyssey may not have made money over long run for Magnavox & NAP, but involvement in videogames as whole probably has. License from Sanders included exclusive sublicensing rights to basic game patents. NAP papered game industry with infringement filings, won every suit, still collects royalties from virtually all hardware and software producers, including Atari, Coleco and, until recently, Mattel.

State of the Industry table carried regularly in these pages has been changed, starting in this issue, to present more accurately total TV and color TV sales. We now include projection TV sales in "total TV" figure, and have added category of "total color," broken down into direct-view & projection. The additional line, "TV excluding projection," is compatible with figures formerly contained in line "total TV" and with EIA's "total TV" figure. All data are sales to dealers and are from EIA.

RCA Taiwan took honors as island's top exporter for 2nd consecutive year in 1983, with shipments valued at \$182 million, according to Foreign Trade Board. It easily edged 2nd ranked Nan Ya Plastics, which had exports of \$174 million. Other American-owned companies among biggest 10 were Texas Instruments placing 6th (up from 10th in 1982) at \$124 million, dropping General Instrument, with \$120 million, into 7th place.

MARCH 26, 1984

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VOL. 24, NO. 14

MORE COLECO LAYOFFS: Coleco last week said it cut 1,300 from Adam computer production line at Amsterdam, N.Y. as it went to single shift from 3, and reduced employment there to 3,300. Company said workforce reduction stemmed from combination of increased automation and seasonal reduction in demand.

Coleco, which had 2 layoffs last month, said it plans to recall some workers in 2nd quarter to produce software for Adam and its Colecovision videogame. Game & computer utilize same cartridge.

Though Coleco denies it, retailers say that they continue to have quality problems with Adam and that sales aren't up to expectations. Coleco has acknowledged that output is below earlier predictions, and its U.K. printer supplier recently cited slow order rate as reason for cancelling plan to build U.S. plant. However, Coleco is building some of its own printer requirements now.

Coleco also is having 3rd-party software problems. Though several companies agreed to convert programs for Coleco, few titles have been released. One difficulty has been lack of capacity of Loranger, company that produces cassettes for Adam's high-speed tape drive and currently is exclusive duplicator. But Loranger says it's now ready to accept orders.

Also involved in layoff last week was SCM, which dismissed about half of 2,200 workforce at electronic typewriter and computer printer plant in Cortland, N.Y. Problem, SCM says, is IC shortage. Company claims it has order backlog because semiconductor makers haven't been shipping on time. SCM said it expects to issue recall this week.

Sony will price Lasermax home optical videodisc player at about \$890 when it introduces it in Japan later this month (TVD Dec 19 p14). As previously indicated, Sony said it will buy about 20,000 players monthly from Pioneer, restricting its own production to industrial models. Sony says it has no plans to introduce player in U.S. In turn, Pioneer will buy Beta VCRs from Sony, though Pioneer says it plans to start own production late this year. Pioneer had been looking at deal with Sony as way to boost Laser Disc player production, but now it may just be way to keep output from sagging. Word is that failure of optical disc based games to revive coin-op business is catching up with Pioneer; arcade game producers are cancelling player orders. As result, Pioneer reduced earnings forecast, and stock price on Tokyo Exchange fell 8% in week ending March 24.

Quaker Oats is getting back into software business. Company, which acquired independent game cartridge producer in 1982 and folded it last year, is moving into computer software through licensing agreement between its toy marketing subsidiary Fisher-Price and Spinnaker Software. Spinnaker will create, design, market & distribute new Fisher-Price Learning Software for children 3-12, plans to introduce line this summer.

GEC-HITACHI BREAKS UP: GEC-Hitachi joint U.K. color TV production venture formed 6 years ago is breaking up. Hitachi said it will purchase partner's 50% interest, putting GEC totally out of consumer electronics manufacturing business. GEC said it will continue as marketer, buying TVs, VCRs & videodisc players from Hitachi.

Partnership, formed to operate existing GEC plant in South Wales with annual capacity for 260,000 sets, has been money loser since inception despite \$4 million invested in modernization. Big problem has been with workforce, and only last minute contract agreement kept partners from carrying out dissolution plan last Dec. (TVD Dec 12 p15).

GEC-Hitachi is 2nd such U.K. arrangement to fall apart. Similar Rank-Toshiba venture ended in 1981 when Toshiba took plant over. Presumably, Hitachi will follow precedent of Toshiba in setting up new corporation to run facility, which will allow it to institute new set of work rules. Hitachi originally wanted to build plant of its own in U.K. Financing had been worked out, but govt, backed away from assistance program after unions objected that entry of yet another major Japanese color producer would result in increased competition and job losses at British-owned plants.

Japan's electronics output was valued at \$55.6 billion last year, up 16.5% from 1982, according to EIA-J. Biggest segment rise was 21.6% increase to \$18.9 billion for electronic parts & components, while industrial electronics, up 17.9% to \$20.2 billion, was largest in size. In consumer electronics, output rose 9.6% to \$16.6 billion, paced by 38.8% increase for VCRs. Total TV output slipped 1.4% to \$3.14 billion, though color had 0.2% increase to \$3.04 billion. Hi-fi production was up 7.7% to \$5.58 billion, with stereo systems up 15.7% to \$1.98 billion, recorders up 3.7% to \$3.6 billion. Radios were off 4.7% to \$386 million, and other products increased 19.7% to \$758 million.

Telecaption decoders are being added by J.C. Penney, will appear in fall-winter catalog, according to National Captioning Institute. Units also will be offered at retail by Benson Optical chain. Adaptors, needed for on-screen display of closed captions for hearing impaired, currently are being sold by Sears & Videoconcepts, as well as by some independent retailers and cable systems. Lone network holdout, CBS, recently said it would begin telecasting captioned programs this year.

Sansui will expand audio line in U.S. to include autosound. Company, which has been showing samples since last year, said it will initially limit shipments to 3-4,000 monthly. Units will feature multi-system AM stereo reception capability.

Pocket color TV set using LCD is scheduled for June or July marketing in Japan, according to Epson, subsidiary of Seiko. When shown in prototype last spring, it had 2" backlighted display, weighed 1.1 lb. (TVD June 6 p15).

MORE PHONE WOES: Independent marketers of both corded & cordless phones know they're dealing with massive glut caused by excessive production & imports and are trying to work off stockpiles. But magnitude of job may be greater than they think, on basis of new figures which indicate sales so far may have been lower than assumed.

Figures are AT&T Consumer Products sales estimates for 1982 & 1983 and forecast for 1984. Comparison of those numbers with generally accepted industry figures indicates that, if AT&T is right, marketers are sitting with supplies representing an additional 2 months of sales, and that if they planned against industry 1984 forecasts, they'll have 3 months of additional inventory at end of this year.

In its most recent figures, based on consensus of industry estimates rather than internal statistical program, EIA put last year's sales at 19.7 million, up from 5.7 million in 1982, predicted 31 million would be moved this year. But new estimates from AT&T show 1983 at just 15 million, up from 5.5 million in 1982, predict 1984 sales of 25 million. Thus, AT&T phone sales estimates over 3-year period are 10.9 million less than shown by EIA.

AT&T sales figures for wired phones are 4.8 million for 1982, 11.8 million for 1983, 19.5 million for 1984, putting 3-year total at 36.1 million. EIA figures for those years: 3.7 million, 15 million, 25 million, for 43.7 million, which is 21%, or 7.6 million more. For cordless phones, AT&T shows annual sales figures at 700,000, 3.2 million & 5.5 million, for 9.4 million total. EIA puts them at 2 million, 4.7 million & 6 million, for 12.7 million, which is 3.3 million, or 35% higher, a difference equal to last year's AT&T sales estimate.

Nolan Bushnell, Atari founder and father of videogame industry, has new employer in Bally, which acquired name & assets of hi-tech videogame development operation Sente Technology from bankrupt Pizza Time Theaters. Price wasn't disclosed. Assets, we're told, consist mainly of ST's R&D, design & engineering team. Bushnell has agreed to continue as chmn., post he took up last month after resigning as officer of PTT, company he founded after selling Atari to Warner Communications. Bushnell also is involved in other companies, including Cumma Technology, developer of in-store game cartridge programmer, and Androbot, producer of home robots.

RCA debt rating was raised notch by Moody's in recognition of "impressive progress" in reorganizing along more integrated & profitable lines. In addition, Moody's said, RCA "continues to make sizable investments in more promising areas" to keep company "in the forefront of technology."

Correction: In listing members of NATM Buying Corp. last week (TVD March 26 p13), we inadvertently omitted Rex stores. We regret the error.

SONY VCRS FROM SPAIN: Sony Beta VCRs marked "Made In Spain" should start showing up this fall following company agreement with govt. to add video equipment to audio line now produced by 80%-owned Hispano Sony at plant in Paretas del Valle.

Sony will get assistance from \$370 million pool govt. established last year to support 3-year electronics development program. Sony said it expects to start production at 3,000 monthly rate, boost output to 125,000-130,000 annually by 1987. Agreement requires that at least 25% of production be for export, and is likely to be expanded to allow for assembly and export of Trinitron color TVs. Beta, sold in Spain by Sony & Sanyo, has about 50% of VCR market there.

Sony's is probably first of several similar deals for local production as part of Spanish effort to build up healthy domestic consumer electronics industry to avoid being buried under imports after it becomes member of European Common Market. Country is looking for VHS producer as well, reportedly has opened talks with JVC, which assembles VCRs in U.K. & Germany as partner with Thorn EMI and Telefunken in J2T Holdings.

Also under consideration is linkup of Hitachi with pair of financially troubled set makers, Cahue Industrial, a Hitachi licensee, and Cesca. Govt. is said to feel 4 color TV producers could operate efficiently there by supplying half of Spain's 500,000 annual domestic demand while exporting additional 75,000-100,000 sets per year. Japan's Sanyo & Sharp are already involved in Spain through minority holdings in, respectively, Aznarez and Elbe.

GE will become largest shareholder in Black & Decker after it completes sale of small appliance business to tool maker. Under revised terms of \$300 million transaction, GE will accept 3 million B&D shares, or 6% interest, as part of payment. GE has agreed not to change size of its holding for 2 years. Meanwhile, GE is continuing to dispose of its holdings in Japan's Toshiba. Last year, it sold 60 million shares, has sold 30 million this year, leaving it with about 112 million, or 4.2%, worth about \$192 million at current prices.

Free do-it-yourself home telephone testers are being installed in AT&T retail Phone Centers. Testers will check dial, bell, receiver, mouthpiece & cord on virtually any make of phone. AT&T says consumers can save money by bringing phones in for free diagnosis as phone companies now only repair wiring and hit customers with service charge if problem is with instrument.

Japan's key parts producers are profiting more from VCR sales boom than end product makers. Toko, which supplies coils, composite devices and memories, credited demand from VCR producers for tripling pre-tax net to \$5.8 million in 6 months to Jan. 31. Sales were up 37% to \$86.7 million. Stanley Electric said sales of electronic components & parts jumped 20% to \$70.2 million in year to March 31.

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NAP REPORTS
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NAP REPORTS: Consumer electronics wing of North American Philips joined exclusive \$1 billion sales club last year, according to NAP annual report. Only other members are RCA, Panasonic & Zenith, though NAP & Zenith qualify only if OEM picture tube sales are included.

NAP puts 1983 consumer electronics volume at \$1.08 billion, up 12.1% from 1982, says segment had pre-tax operating net of \$6.3 million, against \$13.9 million loss in preceding year. Sales include Magnavox, Sylvania & Philco brands as well as CRTs sold to outside color TV, monitor and data display terminal manufacturers.

NAP entered TV business in Oct. 1974 by acquiring Magnavox, then purchased Sylvania, Philco and TV tube businesses from GTE in 1981. NAP's 10th year in TV was 4th in which it showed profit on operation. TV unit also was in black in 1976, 1977 & 1981. Combined earnings for those years were \$38.2 million, while it ran up \$46.2 million in losses in 6 deficit years, for overall \$8 million loss.

NAP says earnings improvement in consumer electronics was held back by lower prices needed to meet import competition in color TV and extensive losses from videogames. However, "videodisc expenses were much lower" than in 1982.

NAP says it increased penetration of OEM color tube market, achieved record output "within the normal work schedule." Financial & technical strains are being placed on tube industry by "runaway proliferation of tube types & designs," report says. But, it says, NAP is in good position to cope because of technical ties with Dutch Philips.

Link with Philips gets unprecedented stress in NAP 1983 report. It says NAP is using Philips technology & equipment in producing TVs, picture tubes, lighting products & CATV equipment. Report also shows NAP electronic & electrical components had 28.9% rise in income to \$128.1 million on 9.6% sales rise to \$785.9 million.

Warner Communications is still \$284 million ahead after 7 years of operating Atari, despite game-computer subsidiary's \$539 million loss last year, WCI says in annual report. To keep costs down, it says, Atari has adopted conservative approach to release quantities on new videogame cartridges, has tightened return policy that cost it more than \$100 million for non-defective products shipped back by dealers last year. It says new software unit, Atarisoft, will introduce first non-game products in first half this year, points out that Coin-Op Game Div. was profitable in 1983. Report says Warner Home Video had dramatic revenue & earnings rise, in U.S. & overseas, was important contributor to improvement in results of filmed entertainment.

Activision sees more shakeouts ahead for home videogame & computer business because there are still too many incompatible systems, company says in 3rd quarter report to holders. Just year ago,

software maker could reach 80% of market by releasing in only 2 or 3 formats, but "to reach that total today, software titles must address at least 5 or 6 systems." Over long term, retailers "will not be able to provide shelf space" for all existing & upcoming systems.

Panasonic is taking advantage of looser FTC anticompetition guidelines to tighten business restrictions on authorized dealers of Technics hi-fi products. New contract, offered to all existing dealers, sets minimum standards for display & promotion, prohibits certain business practices, bans transshipping to other dealers. Technics dealers who don't accept new terms will be cut off. Pioneer, which started industrywide move to stiffen franchise requirements 2 years ago after getting FTC to go along with modification of consent decree that kept it from dictating rules to retailers, is now going after its independent warranty servicers. Under new policy, authorized servicers will have to maintain minimum parts inventory, have adequate number of properly trained technicians, meet specified turnaround time on warranty repairs. Pioneer said it's increasing servicer support in areas of financial assistance, parts backup, training, customer referral.

Ad notes: Sony Consumer Products moves Beta VCR & Betamovie account from Backer, Spielvogel to Marschalk Inc. Marschalk is member of Interpublic Group, as is McCann-Erickson, which handles Sony TV... Commodore assigns \$10 million print account to Drossman Lehmann Marino Revely, N.Y... Activision has been resigned by J. Walter Thomson, which shared business with Tatham-Laird & Kudner; TLK continues... AT&T Consumer Products will offer 8 \$10,000 prizes, \$55,000 in other prizes, along with long distance calling certificates, phones & accessories, in Mother's Day promotion... JVC takes over sponsorship of Newport Jazz Festival... Panasonic Ramsa Div. named sound system supplier for Summer Olympics... Maxell is including rub-off instant lottery tickets in special multi-packs of video & audio cassettes. Prizes range from \$1 rebate to \$25,000 in gold.

N.V. Philips is looking for 55% earnings rise this year to about \$340.5 million on 8% sales increase to \$17 billion, company officials said at news conference in Brussels last week. Large profit rise is expected to be payoff for extensive restructuring and efficiency improvement effort launched in 1981, and only now being completed. Philips said fastest sales growth last year was in U.S. (primarily North American Philips) & Canada, where volume jumped 30% to account for more than 25% of worldwide revenues. Philips consolidated sales rose only 7% in 1983.

Sears adds 13" color receiver designed to double as computer monitor, featuring higher resolution tube, green display switch, RGB & video inputs, screen compression, horizontal centering, at \$350. Set, made by Sanyo, was inadvertently omitted from our spring-summer catalog roundup last month (TVT March 6 p16).

VCRs WORLDWIDE: Latest census from Motion Picture Export Assn. of America puts worldwide VCR population at 42,172,000 at end of 1983. Data are presented with couple of caveats: (1) It's uncertain whether TV figures represent households or sets in use. (2) VCR count is meant only to indicate number in country, minus estimated transshipments.

Here's rundown, all figures in thousands:

Region	Population	TVs	VCRs
Europe	777,507	222,191	13,745
Asia	2,621,973	66,842	12,135
N. America	259,191	165,814	9,920
Middle East	149,017	11,952	3,212
S. America	259,652	27,328	1,100
Oceania	23,656	6,705	1,168
Africa	522,295	10,149	540
Cent. America	100,025	9,717	144
Caribbean	30,690	2,659	208

In Europe, U.K. is VCR leader with 8 million, followed by Germany 3.5 million, France 1.4 million, Sweden 500,000, Netherlands 400,000, Spain 325,000, Switzerland 300,000, Belgium 285,000, Austria 220,000, Norway 200,000. Japan is tops in Asia with 9.1 million, followed by Taiwan 700,000, Thailand & Malaysia 400,000 each, India 300,000, South Korea 250,000, Singapore & Pakistan 200,000 each. In N. America, U.S. had 9 million, Canada 900,000, Bermuda 20,000.

Saudia Arabia is Middle East's biggest customer with 840,000, followed by Turkey 700,000, Kuwait 366,000, Lebanon 300,000, Israel 260,000, Iran 200,000. In S. America, largest population is 420,000 in Venezuela, followed by Colombia 280,000, Brazil 270,000, Argentina 50,000. Oceania has Australia with 1.1 million, New Zealand 30,000, Fiji 13,000.

In Africa, South Africa has 290,000, Egypt 150,000, Kenya 100,000. Central America is paced by Mexico with 95,000, followed by Panama 30,000, Honduras 8,000, El Salvador 6,000, Costa Rica 5,000. Listed for Caribbean are Puerto Rico 100,000, Trinidad & Tobago 100,000.

Warner Communications has called in Lazard Freres as restructuring consultant, move Wall St. analysts feel will lead to selloff of unprofitable or marginal businesses. Atari is considered possible, but not likely, candidate for disposition. Warner also may set up separate subsidiaries for profitable MTV and Warner Home Video units, raise funds by selling minority interest to public, as MGM/UA did with its home video operation.

Microwave oven shipments by domestic producers & importers doubled in Feb. to 586,900, putting 2-month total at 1.29 million, up 114.3%, AHAM reports.

World's longest is JVC's claim for new T-168 VHS videocassette providing up to 8 hours & 24 min. play/record time.

INDUSTRY OUTLOOK: Higher shipments, lower employment and further intensification of import competition is in store for domestic TV-radio manufacturing industry this year, according to Commerce Dept.'s 1984 U.S. Industrial Outlook.

It estimates value of domestic product shipments rose 11.1% last year to \$5.64 billion in 1972 dollars, sees rise of just 5% in 1984 to \$5.92 billion. Value of all industry's products & services sold last year also was up 11.1% to \$7.07 billion in 1972 dollars, is seen increasing 5% to \$7.42 billion this year. Industry employment continued on decline in 1983, slipping 9.1% to 48,200, and is expected to drop 6.6% this year to 45,000.

Commerce estimates exports, in current dollars, dropped 21% last year to \$604 million, but is predicting rise of 4.3% this year to \$630 million. Imports recovered from 1982 slump last year, rising 3% to \$6.33 billion, and are seen increasing this year to \$6.65 billion, passing record \$6.5 billion set in 1981.

Domestic electronic components industry had record performance in 1983, with shipments, in 1972 dollars, up 17.3% to \$29.4 billion, and is seen posting 16.7% rise to \$34.3 billion this year. Employment rose 1.8% last year to 518,000, is expected to increase 3.1% to 534,000 in 1984.

Export business continued to show strength in 1983, with shipments up 6.6% to \$5.85 billion, is seen following with 15.3% rise this year to \$6.75 billion. Imports too were strong, with 19.1% increase to \$6.77 billion estimated for 1983, growth of 23.7% to \$8.38 billion predicted for 1984.

EEC has agreed to launch investigation into charges Japanese are dumping electronic typewriters in Europe. Complaint was filed last month by group of domestic producers (TVD March 12 p16). Meanwhile, officials said, temporary dumping duties of up to 35% of value were being imposed on imports of Japanese-made electronic scales. Japanese, it was determined, had been underselling local producers by up to 50%. Penalty duties will be collected for 4 months.

Renewed crackdown on product counterfeiting has been launched by Taiwan. Last year's Trademark Law was revised to extend coverage to logos not officially registered in Taiwan and to stiffen penalties for violation. New procedures include ban on all commercial counterfeit exports and refusal of bank loans to offenders. Taiwan said it's considering joining several international copyright conventions to improve cooperation with foreign govts.

Sales of home computers will jump 96.3% to 9.87 million this year, raising number in use to just under 14.9 million, according to Yankee Group. It sees value of home computer software sales climbing 87.3% to \$1.28 billion, and while games and entertainment programs will continue to provide largest volume, their share will slip to 55% from 59% in 1983.

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GE WEDS VIDEO & AUDIO: Everybody talks about marriage of video & audio but GE has done something about it, at least in terms of corporate structure, by putting Video Products Div. together with orphaned Audio Electronics Products Dept. into new Video & Audio Business Operations. Unit represents \$1 billion in sales, GE says.

Jacques Robinson, who continues as VPD chief, adds post as VABO vp-gen. mgr. John Trani retains post of AEPD gen. mgr., reports to Robinson. AEPD has been part of GE's Housewares & Audio Div., but lost corporate home when GE agreed to sell small appliance business to Black & Decker.

Video & audio wings will retain separate identities, with audio continuing to function out of Syracuse, though VABO hq will be in Portsmouth, Va., where Video Div. operates. For present at least, only real consolidation will be in administrative support functions, according to Robinson.

"This wasn't done for cost savings but to increase opportunities in new markets and for new products," Robinson told us last week. "The audio operation has an adequate sales and distribution operation of its own right now, and it seems to be doing well." Units now tend to sell through different outlets, with Video Div. relying heavily on appliance-TV stores and audio going to wider variety of smaller dealers, Robinson pointed out.

But there will be some cooperative efforts. "We will get some leverage by bringing total overall brand strength from our larger market presence. There is an overall excitement about consumer electronics in the consumer mind, and we now have the opportunity to go at a broader base" in terms of ads & promotion, he added. Also, there is product overlap, such as in stereo TV audio receivers, item that would fit in both lines. As more complex home communications and video-related products are developed, amount of overlap is likely to increase, Robinson indicated.

"Historically, we have done our [video & audio] R&D separately," he said. "One or both would do it and there would be a little competition. Now there won't be multiple teams" as efforts are more coordinated. Though there may be more elimination of unnecessary duplication in video & audio structures, complete merger probably isn't in cards. "Right now we've got systems in place where we can design anywhere and manufacture anywhere," Robinson added. "We both are already working" on advanced technology with GE R&D facilities "in Portsmouth, Schenectady, Research Triangle [N.C.]. It's a way of life already in both businesses, so physical consolidation is getting less and less important."

Sony is acquiring computer hard disc drive technology from Apple. It's first such knowhow sale by Apple, which is buying 3.5-in. drive for Macintosh and Lisa computers from Sony. Sony said it expects to start offering hard disc drives to computer OEMs next year.

CHINA B&W LAUNCH: China has completed 300,000-sq.-ft. b&w picture tube glass plant in Shanghai, built with technology licensed from Corning. Facility will employ 1,000, has annual capacity for 4 million bulbs. China produced about 8 million TVs in 1983, expects to turn out more than 7 million this year.

Plant represents Corning's first such effort in China under 10-year knowhow supply agreement reached in 1980. Some 60 Corning engineers and their families were temporarily relocated to China to help with construction. Corning recently announced agreement had been expanded to include projects involving ceramic capacitors and other electronics components, fiber optic cables and medical equipment.

Mergers & acquisitions: Whirlpool has agreed to acquire Litton's home microwave oven business, terms undisclosed. Deal, which includes brand rights, plants in Sioux Falls, & Plymouth, S.D., is subject to holder approval and Justice Dept. clearance. Litton is largest domestically owned U.S. oven producer and business segment had sales of \$167 million last year. Whirlpool currently produces & markets own MW oven line but has small market share... Video Corp. of America reached definitive agreement to be acquired by Capital Holdings on somewhat sweetened terms. Final agreement puts price at \$27 million, or \$16 per share, with holders getting \$8.50 in cash, \$7.50 in 13.8% debenture. That's up from original \$25.9 million, or \$15 per share, and debenture rate has been raised from 12% (TVD Jan 23 p21).

Europe has more VCRs in use, U.S. & Japan less, than Motion Picture Export Assn. of America estimates (TVD April 2 p18), according to figures from N.V. Philips, which put world population at start of year at 40.1 million, against MPEAA's estimate of 42.17 million. Philips credits Europe with 14.6 million, Japan with 8.3 million, puts U.S. at 8.1 million, allots 9.1 million to rest of world. Philips trims U.K. to 5.5 million from MPEAA's 6 million (figure which was indistinct in our issue last week), gives W. Germany 3.75 million, France 1.4 million, Netherlands 800,000, Spain 760,000, Sweden 540,000, Belgium 300,000, Italy & Norway each 260,000, assigns 150,000 each to Austria, Finland & Turkey.

Atari may have super home, or advanced business, personal computer on way. Warner unit is now finalizing joint venture agreement to produce hard disc computer drive in Korea with Hyundai as local partner. Hyundai is expected to invest \$250 million to construct large-scale plant while Atari will supply technology for drives having memory capacity of 22 megabits or more. Plant is scheduled to go on stream in 2nd half 1985. All production is slated for export and target is for \$50 million in sales in 1985, rising to \$100 million in 1986, \$500 million by 1990.

IBM adds 13" RGB color monitor with 300-line resolution, built-in speaker, as accessory for PCjr personal computer at \$429.

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NEW SONY PRODUCTS: Sony introduced only 13 new color TV sets last week, same number it added in extensive revamp of line last fall (TVD Sept 5 p14), is expected to show more in next few months (see report elsewhere this issue). Among new-product highlights:

Company's first 26" table models take up same space as some of Sony's 19" sets, are \$850 & \$946 (remote). New 26" console (\$1,050) and one 19" model (\$730) feature VIP (Viewing Interval Programming) system, letting viewer schedule set's turn-on & turn-off time for daily, one-time or Sat. & Sun. viewing (up to 3 events, 7 days) by remote control, programming prompts & instructions appearing on screen. Programs also can be locked out by use of 3-digit code on remote -- which, so far as we know, is first remote control in U.S. to feature on-screen cursor.

Sony expanded its new 13" line to 7 basic models with new keypad remote series in 4 different colors at \$450. All 13" models have HIT (home interface terminals) designed for videogames, which Sony's research shows is used more for computers than games. Also new is 15" remote with sleep timer at \$540. New 19" remote has same features with on-screen status displays at \$690.

Profeel components will be available in 5 packaged ensembles, with various screen sizes and audio-video peripherals, at \$1,250-\$2,050, complete with racks. Teletext decoder accessory will be test marketed in summer, may be added to line in fall.

Rear-projection TV has been improved with black screen, resulting in increase in brightness to 160 foot lamberts from 120, viewing angle to 160 degrees from 80, with better contrast, is unchanged in price at \$3,800. Only carryover projection set is 2-piece 72".

Watchman line will be increased by 2 -- Voyager multinational set that can receive broadcasts in 3 different standards, and model with AM radio designed for sports viewing & listening (prices not announced). Sony's b&w line now consists of one 3.7", one 7" set (both carried over) and 4 Watchman 2" models.

Betamax line now has 13 models & color variations, additions being in heavily featured popular priced categories. New basic model is \$600, includes 7-day 6-event timer, wireless remote, cable ready, with auto playback (rewind & play can be pushed at same time for sequential operation), special effects. In addition to Beta Hi-Fi ready unit (\$650), low priced Beta Hi-Fi model at \$800 also has 7-day, 6-event timer, deluxe features including automatic power when cassette is inserted, auto eject if cassette is missing safety tab, wireless remote.

Real-time optical video disc recorder is due for introduction soon by Panasonic. Unit will provide 13-min. record-play time on 8-in. disc, sell for about \$35,000.

AQUARIUS RE-LAUNCH: Aquarius age dawns again in June when Cezar Inc. is slated to start shipping step-up version of home computer briefly offered, and then dropped, by Mattel last year. CI, subsidiary of broadcast equipment producer Cezar Industries, acquired distribution rights to computer from Hong Kong producer Radofin.

New Aquarius, with typewriter keyboard, has built-in 4K memory and basic, will be priced from \$300, for package with 4K expander and cassette recorder, to \$600 with 32K expander, 32-column thermal printer, modem. Coming in 3rd quarter will be 3.5-in. micro disc drive at \$110, step-up 64K console offered as complete system with 80-column impact printer at \$750.

At news conference in N.Y. last week, CI officials stressed company isn't looking for high volume, expects to concentrate in major markets, move about 25,000 systems monthly, primarily through mass merchandisers. CI said it has 100 new software titles on cassette & cartridge in addition to those developed by Mattel.

Aquarius apparently is only first step into computer market for CI. Robert Cezar, chmn. of parent, said company is making acquisition bid for bankrupt personal computer and business machine producer Victor Technologies.

Timex is trying to avoid turning stockpile of discontinued home computers & accessories over to liquidator at giveaway prices and is attempting to sell direct to consumers by mail. Watchmaker is running newspaper ads offering 72K computer at \$100, 32-column thermal printer at \$50, cassette data record at \$25, all 50% off original suggested list. Limited selection of software, also at half price, is \$8 & \$10 on cassettes, \$15-\$20 on cartridge. Timex says offer expires April 15.

Panasonic is supporting CBS's test of Extravision teletext service in Charlotte, N.C. by providing cut-rate decoders. Decoders, which should be selling in \$800-\$900 range, will go for \$300, but will be offered only in conjunction with \$1,200 19" RGB monitor-receiver. Panasonic said part of cost would be absorbed by Videographic Systems of America, supplier of teletext equipment to CBS. For more on test, see related report in Broadcast section.

Switching to VHS from Beta is Kaizuka Sanyo, 75%-owned subsidiary of Sanyo. Sanyo is transferring 25% interest in SK and management control to Tokyo Sanyo, which will boost its monthly VHS production to 130,000 from 100,000. At same time, Sanyo is increasing monthly Beta production to 170,000 from 150,000.

Casio expands into electronic typewriters with 3 models at \$699, \$999 & \$1,499. All feature daisy wheel printing, electronic memory storage, can double as computer printers. Optional accessories include computer interface and micro disc drive that provides up to 16K storage per disc.

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RCA NET UP: RCA posted 73% rise in first quarter net with help of \$75.5 million gain stemming from accounting change. That partially offset \$175 million reserve for discontinuing videodisc players, which in turn was partially offset by \$75.5 million gain from accounting change and \$72.6 million tax benefit. Revenue was up 16.5% (see financial table).

On continuing operations, and before special gain, RCA pre-tax operating net nearly doubled to \$102.4 million. RCA said sales and earnings for electronics business (including Consumer, Solid State, Govt. Systems & Records Divs.) were at records, excluding effect of special items. Broadcasting and communications operations had improved earnings on record sales.

At meeting with security analysts, RCA said operating income from consumer electronics jumped 80% in quarter on 50% sales rise, and demand for VCRs and color TV was at record level. Company also said videodisc unit had operating loss of \$17 million in quarter, down from deficit of \$21.4 million in same 1983 period.

Corning said continuation of excellent results from color bulbs and major gains in electronic components business contributed to 87.1% jump in pre-tax earnings to \$36.3 million in first quarter. Net, however, was down 21%, as 1983 period included one-time \$22.2 million gain on exchange of shares in affiliate.

MGM/UA Home Entertainment had 10.4% rise in net 2nd quarter to Feb. 29 on 20.8% revenue rise. Company said performance in quarter benefited from increase in demand for video software in U.S., opening of market in Japan.

Gameline is 2nd venture in direct home delivery of videogame software to go by boards this year. Control Video Corp. has quit own effort to market service and plug-in modem module for Atari 2600 consoles, assigned rights to venture formed with BellSouth. Spokeswoman for phone company told us BellSouth will take over sales & marketing, while CVC continues to supply games and head-end computer that feeds them to subscribers over phone line. BellSouth will run 6-month test this summer in its operating area, base further plans on results. Company has exclusive national sales rights. Decisions on charges and whether to restrict test to current hardware or use more advanced models in works haven't been made yet. CVC had list of \$60 on auto-dial modem, charged \$10 registration fee, \$1 per game. Only other direct-feed game service ever actually to start operations was Playcable, formed in 1979 by Mattel & General Instrument to supply Intellivision games to CATV subscribers. It met with modest acceptance and was folded last Feb. following Mattel's decision to get out of electronic games, computers & toys (TVD Feb 20 p20).

Toshiba has opened new \$100 million, 7-story VLSI R&D center near Tokyo. Among first projects are development of 4 & 16 megabit memory ICs.

NOISE HAZARDS TO FDA: Regulation of products that put out beeps, boops and other electronically generated sounds at levels posing hazard to health is job of Food & Drug Administration, not Consumer Products Safety Commission, attorneys for those agencies agreed.

Decision resolves issue of responsibility for handling hearing damage potential of cordless phones that emit overload ring through earpiece. CPSC had received number of consumer complaints, was in process of determining need for warning labels or standard when jurisdictional issue cropped up (TVD Feb 6 p17). CPSC is expected to turn its files over to FDA.

FDA has right to issue standards and has same power as CPSC to order recall of non-complying products for repair, replacement or refund to consumer. Industry, meanwhile, is working on problem with UL. One proposal under consideration is installing ringer that doesn't feed through earpiece. Another is ringer that starts at low volume and gets louder with each ring.

Ad notes: Sharp consolidates ad accounts at Scali, McCabe, Sloves, replacing ILE/Della Femina, Travisano & Partners for consumer electronics and Rosenfeld, Sirowitz & Lawson for industrial line. Dorf/MJH named for PR, replacing Gar Schmitt & Assoc... Warner Software appoints Rapp & Collins, direct mail subsidiary of Doyle Dane Bernbach... Star Micronics chooses Daniel Edelman for PR... Computer market shakeout has taken toll among computer magazines. Among dropouts: Sync, publication for Timex owners from Ziff-Davis; Software Supermarket, Amos Press; Teaching, Learning & Computing, Seldon Publishing.

Stagnating market for videodisc-based coin-op videogames has resulted in contract breach suit against Bally Distributing by game developer & producer Mylstar, Columbia Pictures subsidiary formerly known as D. Gottlieb. In action, Mylstar charges Bally refused to accept last 300 of its 1,700 game order for M.A.C.H. 3 consoles. Mylstar said it has canceled agreement that made Bally its national distributor.

Audio recorders were sales growth star in Feb. for retailers participating in NARDA's computerized data service, posting 36% rise from same month last year. VCRs ranked 2nd with 26% increase. Sales of portable-table color TVs were down 6%.

Matsushita will offer \$445 million of unsecured 10-year convertible debentures in Japan next month, largest such issue by private company in nations' history. Conversion and interest rates weren't announced.

Corning has agreed to participate in 3 joint ventures in China. New companies will produce electronic components, optical fibers and medical equipment.

in imports of complete sets, up 84.3% to 407,600, with much of increase due to tripling of shipments from Korea. Chassis & kit imports gained 28.9% to 275,600. For 2 months, complete color was up 86.7% to 870,400, incomplete up 43.8% to 523,500.

Tinyvision provided largest share of rise in Feb. b&w set imports, with 78.7% increase to 122,200, as TV-only models doubled to 65,600 and combos rose 66.4% to 56,600. Larger sizes, virtually all 12", rose 10.8% to 273,600. Results for 2 months: 10"-&-under total 294,200, up 91.9%; TV-only 180,500, up 120.9%; combos 113,700, up 58.5%; 11"-&-over 633,600, up 22.3%.

THE NEW MODELS: Toshiba added 16 color TV models, 4 Beta VCRs among 78 new consumer products last week at annual sales meeting in W. Palm Beach (see also separate report in this issue).

All new color TV sets have electronic tuning, starting with 13" at \$340 (down \$10 from mechanically tuned model), 6-button remote version \$460 (down about \$10 from open-list predecessor), keypad remote with sleep timer, 117 channels, \$480 (down \$10); new 14" models with FST tube, keypad tuning, 30-month warranty at \$420 & remote version with sleep timer, on-screen time & channel \$570; high-end 14" monitor-receiver with multichannel sound (MTS), RGB input, 133 channels at \$800 (vs. \$780 for similar model last year without stereo or RGB).

Toshiba has 3 new 19" sets, ladder-tuned model at \$450 (\$10 more than mechanical predecessor), 6-button remote at \$530 (replacing open-list model), keypad remote 117-channel with sleep timer \$560 (down about \$15). Expanded 20" line with random-access tuning, 117 channels, 30-month warranty, replacing previous 19" series, starts at \$530 (replacing ladder-tuned \$500 model), step-ups having on-screen time & channel, sleep timers at \$680 & \$700 (down \$10 & \$50); 20" remote monitor receivers with 133 channels start at \$830 (up \$30), MTS version with stereo amplifier \$930 (up \$30 from non-MTS version), model with RGB computer input \$1,000 (up \$50). Sole 25" console with MTS, 4 speakers is \$1,200 (up \$20 from non-MTS version).

New leader VCR is \$450, with wireless remote version \$520, 2-headed Beta Hi-Fi with 15-function remote \$850, 4-head version with 20-function remote \$1,000.

Magnavox introduced its first two 1985 models -- 19" mechanically tuned leader at new low of \$349 and 125-channel keypad remote model at \$469.

* * * *

"FST" initials, originated by Toshiba to describe new tube series, have gone through metamorphosis from declarative to comparative to superlative. They originally stood for "flat square tube," which was changed to "flatter squarer tube," but now Toshiba uses "flattest squarest tube." RCA also uses same initials for tube that isn't least bit flat -- but its FST stands for "full square tube." RCA's upcoming flat, flatter or flattest tube will be called SP (for "square planar").

QUARTER AT-A-GLANCE: Here's summary of EIA monthly video sales-to-dealer figures for first quarter 1984, with 1983 comparisons:

TELEVISION SALES TO DEALERS
Direct-View

Month	Total		Color		Monochrome	
	1984	1983	1984	1983	1984	1983
January	1,512,066*	1,217,771	1,116,649*	870,304	395,417	347,467
February	1,502,185*	1,352,540	1,168,092*	934,147	334,093	418,393
March (5 wks.)	1,997,478*	1,782,904	1,553,618*	1,238,027	443,860	544,877
TOTAL	5,011,729*	4,353,215	3,838,359*	3,042,478	1,173,370	1,310,737

PROJECTION TV SALES TO DEALERS

Month	1984	1983	Month	1984	1983
January	12,275*	11,127	March (5 weeks)	13,969*	10,896
February	12,292*	9,958	TOTAL	38,536*	31,981

HOME VCR AND COLOR VIDEO CAMERA SALES TO DEALERS

Month	Home VCRs		Color Cameras	
	1984	1983	1984	1983
January	388,318*	216,267	28,812*	24,518
February	435,586*	246,797	31,952*	23,403
March (5 weeks)	568,387*	266,501	37,445*	26,497
TOTAL	1,392,291*	729,565	98,209*	74,418

*Record

Atari is consolidating videogame & computer software production in El Paso, where it produces consoles and cartridges for its step-up 5200 game. Company said it's closing plant in Puerto Rico, at cost of 300 jobs, discontinuing software output at plants in Hong Kong & Taiwan. Last year, Atari discontinued game cartridge production in Santa Clara, moving it to Puerto Rico & Far East. Also moved to Far East then was all computer and 2600 game console production. Transfers eliminated some 1,700 jobs in Santa Clara (TVD Feb 28/83 p12), and prompted Puerto Rican industrial development agency to run ads in financial press spotlighting island's attractiveness to Atari. As part of continuing consolidation program, Atari said El Paso also will start producing arcade coin-op videogames in Sept., which will result in loss of about 250 of current 750 jobs at coin-op plant in Milpitas, Cal.

Ad notes: Hitachi Denshi appoints Milton Samuels Adv. for visual products and test & measuring equipment, replacing Greenstone & Rabasca... Mura names HWH Enterprises for PR... Audiovox appoints Greenstone & Rabasca... Random House chooses Martin, Sturtevant, Silverman & Marshall for Electronic Publishing Div... Source Telecomputing account assigned by Reader's Digest to Needham, Harper & Steers, replacing Paul Sandhaus Assoc.

COLECO BACK IN BLACK: Coleco returned to profitability in opening quarter, following steep loss in closing 1983 period, though net of \$4.44 million was down 72.6% from same 1983 quarter. Sales were up 3.3% to \$186.1 million (see financial table).

Coleco said Colecovision games and Adam computers accounted for 50% of sales in quarter, and attributed earnings drop to lower profit margins for electronic products. Company said it "remains firmly committed to the Adam program," will show disc drive, modem, 64K expansion module at Summer CES, have them available for shipment in 2nd half. It reported that while Colecovision sales were "substantial," they were much lower than in same period last year. It said it shipped 2.5 million Cabbage Patch dolls in quarter, ended period with unshipped order backlog for line of \$200 million.

Warner Communications continued in loss column in first quarter on basis of \$34.9 million deficit from its Atari operation, down from \$45.6 million in same 1983 period. Company said Atari had seasonally low volume and continued high retail inventories. It was indicated that cable TV losses and interest expense increased during period.

Texas Instruments, having swallowed losses of its discontinued home computer, rebounded with first-quarter earnings up tenfold from last year, thanks to booming semiconductor market. Company had record semiconductor shipments, ended quarter with \$3 billion order backlog, up from \$2.8 billion at end of 1983.

Sanyo Mfg. Co. sales for first quarter to Feb. 29 were up 60% over same 1983 period when it showed loss, with profit of \$1 million for 1984 period. Volume increase, company said, was the major factor in good results, augmented by fact that product cost increased at somewhat lower rate than sales because of fixed overhead. SMC's annual report says that 81% of company's sales for fiscal 1983 (to Nov. 30) were to Sears, vs. 86% in 1982 and 87% in 1981, "substantially all of the remaining sales" to subsidiaries of Sanyo.

Motorola posted record first quarter results, said improvement was led by Semiconductor Group, which had sharply higher earnings on 53% sales rise. Company said Auto Products and Communications Groups had reduced profits on 25% sales gains.

Apple net sank 62% in 2nd fiscal quarter, were down 68% for half, though sales in those respective periods were up 32% & 39%. Apple said earnings for full period were impacted by 53% increase to \$38 million in R&D outlay, 68% boost in distribution costs to \$163.5 million, inability to fill demand for Macintosh computer and shortage of Apple IIe model due to strong Dec. sales.

K-tel International lost \$2.3 million in fiscal 2nd quarter, raising deficit for first half to \$4.14 million. Company said loss for quarter stemmed from \$4 million writedown of mail order receivables.

Company said it has trimmed staff, taken other measures to reduce overhead.

COMDIAL PLANT CLOSING: Latest casualty in home phone industry shakeout is Comdial's Upland, Cal. plant. Comdial said it plans to close 20,000 sq. ft. facility next month, put it up for sale, consolidate production at 2 remaining plants. Closing will eliminate 400 jobs.

Factory suffered from shrinking demand for high-end specialty & decorator phones which were produced there, and represented 20% of Comdial's business. Biggest single reason for move was AT&T decision to drop Comdial's specialty phones from line it markets through own retail stores and independent dealers. AT&T will handle only 5 novelty phones, make them itself. AT&T considers such phones to be small & declining segment of market, accounting for estimated 5% of sales this year.

Comdial said it recently expanded capacity of its plants in Charlottesville & Shenandoah, Va., where it employs 1,600. It said those plants have capacity to double current production rates, should have no trouble absorbing extra output.

Ad dispute between RCA & Sony is being referred to National Ad Review Board by BBB's National Ad Div. NAD said it gave up trying to resolve case when it became obvious 2 sides weren't going together. Issue is RCA's challenge of Sony ads citing Emmy won by Trinitron color tube in 1972 for picture quality. Sony ads say "nobody else has won an Emmy for their picture." RCA says claim is deceptive, as RCA won Emmy for development of basic Trinitron color tube in 1955, and argues that Sony award was made so long ago that date should be included in ads. NAD essentially agreed with RCA position, but Sony refused to accept ruling. In response, Sony said its award was for picture quality, RCA's for invention, so 2 aren't comparable. Also, Sony said, ad doesn't claim superior 1984 performance based on 1972 award and mention of Emmy is simply informative, so there's no need for date clarification. Sony also rejected NAD request for comparison tests to uphold claim sets have "picture quality so extraordinary it can't be duplicated." Sony said statement was its own subjective opinion, involved no direct comparison with any other TVs, so there would be no basis for testing. NARB will issue public report after it makes decision.

"People's radio," incorporating advanced technology, is goal of BBC, which has offered to work with manufacturers to make sets with automatic tuning, better sound quality and BBC's patented "signal-marking" system which utilizes digital signal sent by station to activate one-line display on radio describing program. Eventually, BBC sees displays on radios which could provide entire opera librettos. In 1981, Sony demonstrated radio with descriptive readout ("news," "classical," "jazz," etc.) for use with Germany's digital radio satellite transmissions.

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CONSUMER

The market strategists must be from Television & July 1983.

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Consumer Electronics Personals

Paul Michie promoted at Toshiba America Appliance & Consumer Electronics Div. from senior vp to exec. vp... Fred Lin advanced at Sampo from national mktg. mgr. to sales & mktg. dir., succeeding Jon Pardini, expected to take post with Jensen Home Electronics Div... John Kesse promoted at GE Audio Dept. from communications & information systems & services mgr. to mktg. mgr., replacing Bill Smith, resigned to join Mura as pres.-CEO; Al Arras advanced from mkt. development & information mgr. to tape & CB mktg. mgr., succeeding Jerry Rudinsky, resigned to pursue other interests.

Martin Kulman promoted from vp to N.V. Philips vice chmn., succeeding Eduard Pannenberg, retiring June 1; Harry Peters advanced to corporate information systems & automation managing dir., effective Oct. 1, replacing Ad Penning, retiring... Robert Lanigan, Owens-Ill. pres.-CEO, adds title of chmn., succeeding Edwin Dodd, retired... Fred Bucy, pres., named Texas Instruments CEO, succeeding Mark Shepherd, who continues as chmn. and chief corporate officer... Named vps at Zenith Components & Systems Group: Monochrome Operations Gen. Mgr. Michael Tamkin and Magnetics Operations Gen. Mgr. Joseph Simone.

Alan Kay, recently reassigned from post of Atari chief scientist, has resigned to pursue other interests in artificial intelligence... Bert Helfinstein, ex-Source Telecomputing, joins franchiser Entre Computer Centers as operations vp... Michel Fromont, ex-Rhone-Poulenc Systems, joins Tandon as mktg. & international sales dir... Michael Broomfield, assoc. gen. counsel of parent Columbia Pictures, adds duties of legal affairs vp of Mylstar Electronics (coin-op games).

Peter Mauro appointed S/T Videocassette Duplicating Corp. operations mgr., replacing Stuart McCorkindale, now computer disc services mgr... Michael Standley resigns as Maxell consumer audio products national sales mgr., plans & replacement unannounced... David Crist named 3M Magnetic Audio/Video Products Div. mktg. communications supervisor... John Edwards joins Thorn EMI to head home video facilities and duplication.

James Mervis resigns as programs & planning vp, MGM/UA Home Video... Dennis Blackburn appointed COO and E.J. Oshins development dir., Karl Home Video; Blackburn & Oshins, along with Mktg. Dir. Court Shannon and Sales Dir. Harold Weitzberg, are members of new KHV exec. committee... Arnold Frank named pres. of VCL Communications, new U.S. branch of U.K. company of same name... Geoff Grimes, ex-Warner Home Video, appointed consultant to CBS/Fox Video-Intervision joint venture in U.K. & other markets; Philip Day, ex-Videoform, named Intervision special accounts mgr.

Dan Hale, GE Credit Corp. vp, named to additional post of Commercial Financing Div. gen. mgr. in split up of commercial and transportation & industrial financing functions... Barbara Micale,

Geltzer & Co. (PR), promoted to vp-account supervisor, continuing responsibility for Sony Consumer Products and Sony Tape Sales accounts.

FEB. TV IMPORTS: Probability of assessment of antidumping duties appeared to have no impact on color imports from Korea in Feb., and shipments from that country were more than triple those of same month last year, according to Commerce figures. Imports from Taiwan, however, did reflect possible slowdown.

Sluggish level of imports from Taiwan put Japan back into 2nd place, for month at least, as supplier of complete color, ranking it lost last year. Also showing major growth as complete color supplier was Malaysia. Most imports from there are believed to come from Sharp factory.

Following are TV import totals by country for Feb. and first 2 months of 1984. No color set vs. chassis & kit breakdown is given for countries supplying negligible quantities of incomplete receivers for either period.

	Total TV			
	Month	% chg.	2 mo.	% chg.
Japan				
total...	168,400	+50.5	363,600	+56.1
color...	145,000	+72.5	290,700	+76.9
b&w....	23,400	-15.9	72,800	+ 6.3
Taiwan				
total...	264,900	+26.7	619,400	+35.7
color...	93,500	+39.7	246,500	+76.0
b&w....	171,300	+20.5	372,900	+17.9
Korea				
total...	394,800	+89.2	857,200	+91.9
color...	206,400	+200.7	396,200	+124.7
b&w....	188,400	+34.6	461,000	+70.5
Singapore				
total...	62,300	+31.5	161,300	+57.4
color...	61,800	+34.1	160,700	+64.1
b&w....	600	-56.5	600	-87.2
Malaysia				
total...	28,900	+97.7	44,100	+42.1
color...	27,300	+189.9	37,600	+78.6
b&w....	1,600	-68.8	6,500	-35.0
Hong Kong				
total...	900	-69.6	7,000	+33.7
color...	900	-69.7	7,000	+57.7
b&w....	--	--	--	--
Canada				
color...	5,800	+ 7.4	11,000	+12.5
Complete Color				
Japan....	92,700	+64.8	184,400	+45.3
Taiwan...	86,700	+33.4	219,400	+81.5
Korea....	197,400	+208.7	376,500	+135.8
Singapore	19,200	+ 7.9	56,200	+102.8
Color Chassis & Kits				
Japan...	52,400	+87.9	106,400	+183.8
Taiwan...	6,900	+252.3	27,100	+41.6
Korea....	9,000	+91.5	19,700	+18.1
Singapore	42,500	+50.7	104,600	+48.9
Mexico...	164,800	+ 9.2	265,500	+20.5

ACTIVISION OUTLOOK: Though Activision had sharply lower sales and posted losses in final quarter and full year to March 31, and game-computer software market won't be turning around soon, restructuring & cost-cutting have put company on road to recovery, Chmn. James Levy told security analysts and news media in N.Y. last week.

Over 6-8 months, Levy said, Activision has "resized itself" in keeping with industry software sales potential, reduced employment to 220 from 375, closed 3 design centers and reduced breakeven point from about \$135 million in sales to \$50 million. Inventory has been cut more than 50% to \$10.3 million through product selloff; non-recurring costs associated with cutback program represented more than 60% of 4th quarter loss.

This will be year of transition for Activision, which is shifting focus to home computer software, Levy said. Company demonstrated first programs for IBM and Japanese MSX personal computers, and plans to release first games on disc for Commodore 64 computers this month.

Levy said Activision estimates hardware makers sold 10 million units last year, about evenly divided between games & computers, and sees sales of about 8 million this year, with games slipping to about 3 million. Software game sales were estimated at about 85 million in 1983, with 15 million going for computers. Outlook for 1984 is for sales of about 75 million, with computers about 20 million. Problem in game market, he said, is that budget & closeout product should account for about 15% of volume, but it could approach 50% this year as industry is still stuck with large quantities of unsold programs. Levy said it "may take until the fall of 1985 before it clears itself up."

Commodore, he said, is only established home computer company bringing stability to market. There's uncertainty about roles to be played by Apple and MSX models "and a load of questions about Adam." In games, he said he expects Colecovision to "have a fairly good year" and said Atari is expected to introduce 7800 console as step-up version of 2600.

Activision said it brought contract breach suit against Revco drugstore chain charging failure to honor \$8.3 million game purchase agreement. Revco said it withheld payment after finding water damage to first shipment.

Commodore also held meeting in N.Y. last week where officials of software operation were on hand to talk informally about broad expansion of offerings for Commodore 64. Also, we were told, Commodore plans to introduce several new computers at Summer CES, including low-cost model compatible with IBM PC, plus proprietary models with built-in word processing and other software.

Esmark has agreed to accept \$2.29 billion, \$55 per share, leveraged acquisition offer from N.Y. investment group Kohlberg, Kravis, Roberts. Esmark is parent of Jensen & Disewasher.

NIELSEN VCR CHART: Latest VCR usage study from Nielsen credits VHS with 77.2% share of sets in use, Beta 22.8%. It also indicates strong growth in cassette rentals, some signs of pickup in purchases. It released results at N.Y. news conference last week, and we obtained additional details from other sources. Data were gathered Nov. 1983-Jan. 1984 from monthly diaries returned by 3 sets of 360 VCR owners. Response rate was 53%.

RCA, with 22.2% share, was top brand owned, followed by Panasonic 19.4%, Sony 9%, Quasar 7.5%, Magnavox 5.7%, GE 5.2%, Sears 5.1%, Sanyo 5%, with Zenith & Fisher tied at 3.8%. Nearly 1/3 of Panasonic and more than 25% of RCA owners also had video cameras, underscoring strong position those 2 have in portables. More than 35% of those with VCRs have owned them for 1-2 years, 20% 7-11 months, 19% 2-3 years, 19% more than 3 years. Top 10 markets accounted for about 45% of purchases, with northern, southern & Pacific states representing more than 70% of total, east central & west central remainder. About 57% of respondents who owned machine for less than year said availability of recorded cassettes was key factor in purchase decision.

In blank tape, 3M's Scotch label was most recognized, though only 30% had bought brand in last 12 months, slightly under the 35% who purchased TDK. Maxell & Memorex were in 25% range; Sony, Fuji, JVC, RCA, BASF & Ampex 12-16%. Kodak & Polaroid names were recognized by 18% & 10%, respectively, even though neither brand had been introduced then. Spread among tape leaders was relatively slight, TDK on top with 18% share, followed closely by Memorex, 3M & Sony; nearly 60% of blanks, presumably T-120 or L-500 lengths, cost under \$8.

Study shows cassette rental is picking up steam. Nearly 75% of Nov.-Jan. households said they had borrowed tapes some time in preceding year, vs. 49% in 1982 pilot study. More than 80% of those owning machines less than year had rented in last 12 months. Overall average number of tapes rented during Nov.-Jan. was about 5 per month, with more than 15% of sample going to retailer at least once a week. Cassette purchases also showed jump, solely because of arrival of hit titles at \$39.95. Of sample, 24% said they had made purchases in last 12 months, up from 18% 2 years ago. Price isn't always deterrent, with significant number of purchases above \$50, but nearly 50% of tapes were bought in \$25-\$40 range.

About 23% of sample were heavy off-air recorders, taping at least 21 programs a month, and accounted for better than 70% of such activity. Bad news for sponsors, who have been wondering whether their ads get extra exposure when tapes are played back, is that nearly 50% used fast forward to skip most commercials, and about 30% indicated they deleted at least 75% of ads.

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VIDEODISC LIVES: There were times when NAB convention in Las Vegas looked like First Annual Optical Videodisc Festival, as broadcasters received major indoctrination in use of laser discs for editing & programming.

Panasonic introduced its first commercial full-motion optical disc recorder, which records & plays back up to 24,000 video still frames or 13.3 min. of realtime motion on 8" disc at \$34,900, with play-only version at \$3,975, both to be available in Sept. Panasonic claims fastest access time of any system -- 1/2 sec.

3M made splash for disc replication at NAB, making point of fast turnaround time, now same-day if desired, and agreement to custom-press under Sony label. 3M is pressing discs for Atari Firefox, leading arcade game, says it also will do pressing for RDI's upcoming home videodisc game. 3M is leader in development of erasable read-&-write disc, said Sales & Mktg. Mgr. Frank Price. "That has moved from the Advanced Technology Center to the Optical Disc Project," he said. Added 3M's Dave Davies: "It suddenly looks very feasible for the here & now... You'll see a product announcement very soon."

Several new optical disc mastering & pressing firms are hanging out shingles. Ready to start in few weeks is LaserVideo Inc., subsidiary of Quixote Corp., which had suite in Las Vegas during NAB convention. LVI hopes to have quick turnaround, short runs, CD audio discs as well as videodiscs, from plant in Anaheim. It will make discs compatible with Pioneer LV players, but uses different processes, according to Chmn. James DeVries. Discs are made by contact printing, similar to method used to make semiconductors. DeVries said process has quality & cost advantages, especially in fast-turnaround short-run orders.

Also specializing in quick turnaround is Spectra Image, Burbank, Cal., which makes masters and check discs, has major production equipment and special effects gear. SI has developed video editing system capable of accessing 2 scenes on same disc simultaneously. Also now advertising mastering & replication of optical discs is Technidisc, Troy, Mich.

Videodiscs have become significant new tool in TV & motion picture editing. Because of quick access, discs are increasingly used in combination with such new computer editing systems as Lucasfilm's Editdroid by Convergence. Helping make discs more flexible is EECO's Still-Frame Decoder which expands audio capacity to up to 150 hours on 30-min. videodisc, storing 10 sec. of audio with each still video frame using analog system. It's not first audio-plus-still system; several other manufacturers have demonstrated them, using both digital & analog technology.

Next wave could see videodiscs used for TV programming, already done experimentally on some public TV stations. One new service product demonstrated at NAB was Photo Store, by Picture

Management Systems, offering to supply more than 50,000 stock photos per year to TV stations for on-air use. Photos come on optical videodiscs and may be accessed, by subject, through personal computer. First disc contains 15,000 "slides," claimed to be broadcast quality. Service costs \$10,000 per year, plus \$500 for Image Search software by On Line Computer Systems.

Philips Labs used videodisc as source to demonstrate improved quality NTSC pictures with MAC (multiple analog component) coding at NAB. One part of demonstration showed that picture storage capacity of disc could be doubled by use of system to store 2 pictures per frame of disc. With discs becoming increasingly versatile, will TV stations and cable systems of future hire videodisc jockeys?

Superscope line of portable and moderately priced home audio will bow in Europe early next year, in U.S. by midyear, about same time Marantz re-enters VCR market, according to Superscope Pres. Fred Tushinsky. Also coming in 1985 will be Marantz's first AM stereo (Motorola system) car audio line. At Summer CES, Marantz will be showing its first home receiver with AM stereo at \$630, plus 3 receivers in \$250-\$500 range that will accept plug-in stereo module offered as \$50 option. As for Superscope brand, "we've got the entire car stereo line set, plus some of the portables and audio systems. The line will be finalized during meetings with our European group during the CES, and by Nov.-Dec. we will be shipping to Europe for a 1985 launch," Tushinsky said. At 1985 Summer CES, "we will be reintroducing Superscope products here." Also in works for June, he indicated, is Marantz brand Hi-Fi VCR, probably VHS. Superscope demonstrated Marantz Beta VCR with longitudinal stereo 2 years ago, but didn't follow through with product.

Coleco is suing MCA's Universal Studios to recover \$4.7 million paid as royalties on its Donkey Kong home video games, plus interest. Coleco said it made payments after Universal "knowingly & falsely represented" that Donkey Kong character infringed on copyrights covering King Kong trademark. Universal said it would fight suit, press breach-of-contract counterclaim. Meanwhile, Coleco said it had privately placed \$29 million offering of 5-year 10% convertible debentures, was considering sale of additional \$21 million. Proceeds, Coleco said, would be used for working capital.

Beta audio-video recorder has been introduced in Japan by Sanyo -- hi-fi VCR with built-in FM tuner and timer that can be set for any combination of TV or FM recordings; list price is about \$850... Hitachi, starting VCR production at new Fukushima plant, is boosting output to 400,000 monthly, increase of 14%... TEAC plans to sell consumer Laservision disc players and VHS VCRs to OEMs, buying players from Pioneer, VCRs from JVC. TEAC manufactures commercial LV players.

VC PLAYERS DUE IN JUNE: First shipments of Funai's VHS videocassette players, primarily for sale to video dealers who'll rent them along with recorded videocassettes to non-VCR owning consumers, are due in June, according to Portavideo International, which announced signing of agreement to become exclusive distributor for U.S., Canada & Mexico.

One-year deal, renewable annually at PVI's option, calls for it to buy total of 60,000 players with wholesale value PVI estimates at \$40 million, or about \$666 each. That, PVI says, is 10 times its sales from founding in Oct. 1982 through last Dec.

PVI didn't state what it was paying for industrial grade VCPs, but prospectus issued for planned, but postponed, \$5.83 million, 1.67 million share offering put total tag on buy at \$12 million, or \$200 each (TVD Jan 30 p14). PVI adds plastic carrying case, power supply, cords. PVI was to use most of offering proceeds for letters of credit covering cost of 20,000 VCPs due in first 4 months of contract. Instead, PVI says, it has arranged to raise that \$4 million through private placement.

We noted in our earlier report that prospectus indicated PVI had produced about 1,400 VCP cases in own facilities, neglected to include statement that through Sept. 1983 it had sold 2,800 at \$3.53 million. PVI statement of \$4 million in total sales through end of last year would indicate it moved about 380 more in 4th quarter 1983, assuming it maintained indicated average price of \$1,308.

PVI, founded as VHS answer to Superscope's Beta VCR rental program, originally planned to set up network of franchised outlets. That was dropped in favor of distributorships. PVI says it now expects its VCPs will be both rented and sold through wide variety of outlets, which represents change in most recently announced plan for distributors to retain ownership and place them with dealers in exchange for 85% of rental revenue. However, estimated average daily rental charge of about \$11 presumably would be most attractive to consumers as wholesale price alone is nearly double what leader home VHS VCR decks are selling for at retail. PVI says it also will market VCPs to industrial users.

Kodak is 16th full participant in multicompany high-tech R&D venture Microelectronics & Computer Technology Corp. Kodak said it slipped in under fee-boost deadline, paid \$250,000 to join. Initiation cost now is \$500,000 (TVD April 23 p18). Kodak said its interest is in development of higher density ICs and "this type of research is too costly for us to take on ourselves." Meanwhile, TI & National Semiconductor have agreed to joint development of 32-bit computer microprocessors. Work is expected to center on refining 32-bit MPU already developed by NS. Deal gives TI production rights, putting it in MPU mainstream for first time. TI's entry will provide 2nd source for device, considered a necessity for wide market acceptance. TI said it expects world MPU market to reach \$8 billion by end of decade, represent 15% of semiconductor demand.

VHS HI-FI CHANGES: VHS Hi-Fi VCRs have gone to duplicators at last. After delays brought about by technical problems with test models, mainly audio related, Panasonic said several hundred machines have been installed, claims rate of delivery should accelerate rapidly during next few months.

Panasonic said that difficulty was solely with longitudinal stereo, that audio quality "was not quite enough to meet the highest standard of Dolby," and stereo VHS VCRs. It solved problem with new semiconductor chip before first units were shipped. Duplicator use of Dolby master encoder would have solved problem, Panasonic said, while acknowledging that most would rather not bother with additional hardware expense.

Panasonic said Hi-Fi track has presented no problems, but at least one software independent said otherwise. Michael Sterling, technical services dir. of Family Home Entertainment, which is expanding duplication facilities, told us that on original slaves audio signal "clipped very badly" at peaks, and that there were cassette loading problems. However, he said, he's been testing new version for 2-3 weeks, thinks all problems have been solved. Machines still sell for \$1,300 each, will add to cost of duplication but "that's something we're going to have to live with."

Panasonic, meanwhile, is getting competition for VHS Hi-Fi slave business from sister company, JVC. Latter said it's now out knocking on duplicator doors looking for business, claims it has had no problems with its units.

Mergers & acquisitions: Milton Bradley has agreed to be acquired by toy maker Hasbro for about \$360 million in cash & stock. Hasbro Pres. Stephen Hassenfeld indicated that under new management MB will deemphasize electronic toys, attributed Hasbro's strong financial position to decision not to get involved in electronics. MB had some early electronic toy hits, but was unsuccessful with electronic board games, hand-held LCD video games and Vectrex videogame console that it dropped at end of 1983 at cost of about \$31.6 million in losses & writeoffs... Mattel, still trying to recover from massive losses from discontinued Electronics Div., has agreed to sell voting control to investment group for \$231 million in new capital... Esmark says it plans to sell off some subsidiaries after going private in \$2.4 billion leveraged buyout (TVD May 7 p20). Company gave no indication whether consumer electronics units (Jensen, Disewasher, Advent, Phase Linear), would be among those put on block.

Jumbotron is Sony's stadium TV display answer to Mitsubishi's Diamondvision and Panasonic's Astrovision. Being developed by Sony for use at Science Exposition in Japan next March is 130-x-82-ft. digitally controlled color TV panel composed of 151,200 tricolor Trinilite CRT cells to provide 453,600 picture elements. Sony says it will spend about \$18 million on project.

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THE STATE OF RCA: "Our pioneering days have just begun," Consumer Electronics Mktg. Vp Stephen Stepnes told RCA distributors at Las Vegas meeting last week, as company outlined major new products (see report elsewhere). Stepnes indicated RCA's color TV unit sales this year would be 35% above those of 2 years ago, while VCR sales would be up 233%.

Extrapolating regional figures given by Stepnes, it's indicated that RCA sold 1,763,000 color sets and 369,000 VCRs in 1982 and plans to sell 2,378,000 color sets and 1,230,000 VCRs this year. Industry will sell about 15.7 million color sets in 1984, Vp-Gen. Mgr. Joseph Donahue forecast, while Mktg. Operations Vp David Croner put VCR sales at 6.5-7 million. As for 1975, Donahue saw "modest growth" for color. In VCR, he said, "depth of industry growth hasn't been plumbed," but RCA has lined up "significant increase in supply" for 4th quarter -- its market share having "increased by a great amount" since it switched from Matsushita to Hitachi as supplier.

Digital TV with meaningful features isn't around corner, Donahue said in answer to question at news briefing. It depends on inexpensive frame store, he explained, which is still several years off.

Asked about new emphasis on contrast improving picture tube glass -- such as GE's "blue tube" and 52% light transmission dark glass used by Zenith & others, Group Vp Jack Sauter hinted that RCA had new glare reduction system in works "which might be something different from either 52% or 85%" light transmission.

Rising interest rates are of concern to RCA, particularly in terms of projection TV sales, Sauter indicated -- "we worry less about direct view models, which appeal to a different group." Neither Sauter nor Stepnes saw any long-term relief from tough low-end competition as result of dumping finding on Korean & Taiwanese sets. RCA's sole Taiwan-made color set, 9" AC-DC cube, is now less than \$280 at retail, actually a reduction.

Asked whether RCA eventually would manufacture VCR in U.S., Donahue said heavy capital investment and high interest rates would make it hard to justify. Product Planning and Industrial Design Vp David Daly, asked about our forecast of high resolution 1/2" super VCR (TVD April 23 p10), said it was expected "within the next couple of years." In connection with its introduction of multichannel TV sound receivers, RCA has signed for dbx license, Daly said.

World market for computer software will grow at 80% annual rate to hit \$8.3 billion by 1988, with entertainment programming accounting for about 14%, according to report by Creative Strategies International. CSI estimates U.S. market will be worth \$4.9 billion, up from \$340 million last year. It says entertainment software will provide about 34.6% of U.S. sales in 1988, down from 49% last year.

STEREO TV HANGUP: RCA Consumer Electronics may have biggest line of stereo multichannel TV receivers introduced by anyone to date (see report elsewhere in this issue), but RCA Communications Systems apparently isn't ready to deliver station equipment to make these sets work.

TV stations agree that transmitter modification kits are big holdup in starting multichannel TV sound (MTS) broadcasting. The 2 largest transmitter makers are RCA and Harris.

RCA subsidiary NBC announced last week that it would start stereo telecasting in mid-1985 with Johnny Carson Tonight Show and Friday Night Videos. Michael Sherlock, NBC-TV exec, vp, said that during fall 1985 "NBC anticipates the telecasting of a limited number of sports events, specials and theatrical movies in stereo." At first, stereo broadcasts will be transmitted by network-owned WNBC-TV N.Y., KNBC L.A. & WRC-TV Washington. WNBC-TV is already transmitting FCC-authorized multichannel TV sound (MTS) experimentally around the clock, using 400-cycle tone only.

ABC-TV gave up project to transmit MTS on its WLS-TV Chicago during Summer CES last week when it ran into "serious transmitter problems," according to network source. ABC-TV has indicated that it hopes to transmit some series bilingually during rerun period which begins in spring 1985.

Holdup isn't programming so much as station equipment. Johnny Carson show has been taped in stereo for more than year. Friday Night Videos is transmitted in stereo to NBC-TV affiliates via satellite for simulcasting. All 3 networks are expected to begin occasional stereo and possibly 2-channel sound transmissions this fall, but few affiliates will be equipped to carry them.

Home digital audio recorder due next spring from Compusonics will provide up to hour of record-play time on single sided super high-density 5.25" floppy disc developed by Kodak subsidiary Spin Physics. Recorder is expected to retail for about \$1,200, blank formatted discs \$6 each. Pres. David Schwartz said recorder is aimed at filling high-end market hole that will be left as prices on digital CD players decline. He said player employs special data compression techniques, contains four 32-bit microprocessors. Discs will have capacity "in the tens of millions of bytes." He said players will interface with IBM & Apple computers to provide sophisticated editing & mixing capability, adding that programs could be sold direct to home via cable or telephone.

Atari's first home videogames developed in 2 year-old venture with Star Wars creator Lucas Film will be Ballblazer & Rescue on Fractalus, due in 3rd quarter for Atari computers and 5200 game console at about \$35 each. Atari said it would release versions for Apple, Commodore & IBM computers later in year.

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GAMES NETWORK SHAKY: Videogame-computer shakeout may claim Cal.-based Games Network as next victim, according to report it filed with SEC last week. GN, formed to supply games directly to homes via cable TV, said it has run out of money and has lost main computer it needs to store and feed games to subscribers. If GN is forced to shut down, it will be following path of 2 other home-delivery pioneers, Game Line and GI-Mattel venture Playcable, both of which halted operations earlier this year.

GN was scheduled to start operating Feb. 1984. It had equipment installed at 2 cable systems and planned to have as many as 20,000 home terminals, computers supplied by Japan's Shinwa Digital Industries, in consumer hands by year's end. But now GN says it's broke, can't get more financing, missed last 3 payrolls and laid off 90 employees. Others have stayed on job on "voluntary basis." On May 10 it lost 2 key staff inventors in R&D Exec. Vp Stephen Klein and Engineering Vp Barry Megdal, who resigned citing company failure to market certain of their inventions properly and to meet obligation to pay them \$20,000 each.

Perhaps most serious is acquisition of GN's mainframe computer and other assets by investor Leonard Souza in settlement of \$110,000 loan default. GN has until July to raise money needed for repurchase, is exploring fund-raising options. "Should the company fail to recover its VAX computer and other assets sold to Souza," statement said, "the company would be unable to continue its operations."

Despite failure of any home software delivery system to get off ground, pot of gold potential continues to lure new entrants. Among similar services in works are NABU Network, new venture of Canadian & U.S. interests to feed game & computer software via cable; Coleco & AT&T, telephone-based system; Activision & Atari, over-air delivery system with as yet unidentified 3rd partner that may turn out to be N.V. Philips or recently established Home Interactive Systems subsidiary of its U.S. affiliate North American Philips.

FCC modified rule on hearing aid compatibility labeling for phones to require package marking on all new or reconditioned phones shipped on or after June 1, 1984 effective date. Original proposal, opposed by EIA and several marketers, would have required labels on all phones offered at retail from June 1, didn't cover rebuilds. Revised rule also requires marketers to provide retailers with labels or other written information for phones already in store inventory, bans sale of unlabeled phones after Jan. 1, 1985.

Computerland China is joint venture that U.S. retail franchiser has formed with China to open microcomputer retail outlets there. Computerland said it already has received U.S. govt. permission to hold product line exhibition in Beijing, will seek clearance for plans to train technicians & instructors and for sale of several thousand computer systems.

COMPACT VIDEODISC? Matsushita engineers have experimentally stored 7 min. of moving, full definition video pictures on optical CD audio disc, and Shuichi Obata, dir. of company's Disc Audio Div., thinks the 4.5" discs eventually will hold 20 min. of video.

Disclosure was made last week at Technics Seminar 1984 in Gleneagles, Scotland, sponsored by Matsushita for European technical journalists. Obata declined to state whether video was in analog or digital form. Matsushita staff demonstrated 3 methods of storing still picture graphics on CD along with digital audio: (1) Simple alphanumerics, such as music lyrics, 4,500 frames per disc at access rate of one sec. per frame. (2) 2-color graphics, 1,800 frames, access rate 2.5 sec. per frame. (3) 16-color pictorial material, 350 frames at 13 sec. per frame. Graphics were displayed with external 256K RAM.

Progress toward car CD player was outlined, revealing some significant barriers. Disc Audio Div. Asst. Gen. Mgr. Terry Yosumi said prototype auto player was being tested in Japan, with sales planned for next year. Player currently can withstand up to 0.75G shock without affecting sound; minimum of one G will be required for car player, he said, with up to 3G for some countries with bad roads. Life of semiconductor laser may be problem in sunlight dashboard environment, he indicated; diode life is rated at 5,000 hours at 50 degrees C (122 degrees F), every additional 10 degrees C (18 F) halves life. Discs pose no problem -- they're stable up to boiling point.

Matsushita currently is pressing up to 10,000 discs per day, with goal of getting cost down below \$2.80 per disc including plastic case. Disc prices are coming down rapidly from about \$20 when first introduced. It's understood Piekwick will be introducing classical CDs in Europe pressed by Polygram at about \$8.50 each.

Matsushita estimated disc production last year at 1.6 million average per month, this year at 4 million. Player sales last year totaled 310,000 worldwide, of which 40,000 were sold in U.S., 160,000 Europe, 80,000 Japan, 30,000 elsewhere. This year, total is expected to be 680,000 -- 250,000 in U.S., 220,000 Europe, 130,000 Japan, 80,000 elsewhere.

Seagate Technology has put on hold plan to open new 5.25" disc drive plant in Watsonville, Cal. in favor of expanding output at plants in Bangkok & Singapore. Company said all production of full-height drives is being moved to Far East in cost-cutting effort, and that new half-height drives will be shifted there by early next year. Seagate said it has frozen hiring in U.S., and has no firm start-up schedule for Watsonville plant, which had been slated to begin operating in 2nd quarter this year.

Taiwan exports of electronic & electrical appliances jumped 50.9% in first quarter to \$1.3 billion, govt. reports.

ATARITEL ON HOLD: Another hold has been put on Ataritel, Atari unit developing sophisticated home telephone equipment. Brake is understood to have been applied by Pres. James Morgan in belief Atari hasn't financial resources needed to develop appropriate distribution & marketing effort. He had expressed concern with Atari's telephone equipment program last Jan. during meeting at Winter CES, where at same time he announced company would follow more conservative approach to market (TVD Jan 16 p17).

In keeping with that, Atari said it backed out of agreement to market computer-controlled robots supplied by Adrobot, one of several high-tech companies launched by Atari founder Nolan Bushnell after he left in 1978. Atari didn't explain reasons, but there were indications robots didn't meet performance expectations.

Also, Atari & N.V. Philips again confirmed they're in discussions that could lead to some form of business combination (TVD Jan 16 p18). New this time is acknowledgment from several sources that possibility of Philips' acquiring up to 50% interest in Atari has been considered. Talks are outgrowth of Atari parent Warner's agreement to merge its record business with Philips' Polygram, though that deal is being held up while FTC prepares to appeal lower court dismissal of suit charging merger would reduce competition in U.S.

At annual meeting last week, Warner Chmn. Steven Ross said all assets of company were being considered for redeployment, promised Warner would be profitable in 2nd half, indicated some income could come from sale of unspecified operations. He also said Atari is continuing to reduce overhead, expects to slash operating costs to 25% of what they were at peak last year.

Meanwhile, Atari announced July launch for 7800 videogame console. New game features enhanced graphics, will accept cartridges for original 2600, sell for about \$150, come with road racing game. Individual cartridges will retail for about \$30. In 4th quarter, Atari plans to have 4K keyboard adaptor, expandable to 16K, that turns 7800 into entry level computer, special adapter for 5200 console cartridges. Price of 2600 console is being cut to about \$60, non-compatible step-up 5200 console to \$90, latter likely to be discontinued.

Japan will designate Applied Research Labs of Miami as first U.S.-based organization authorized to test electronic & electrical appliances & materials for compliance with its product safety & quality standards. ARL, which will check products and plants, will be able to authorize U.S. manufacturers to use T-mark label on items they export to Japan. Label is required on all electrical products sold there, and inability to have needed certification available on local basis has been viewed in U.S. as non-tariff trade barrier. Other U.S. testing organizations, including UL, are expected to seek similar designations.

GRAY-MARKET PROBE: Preliminary investigation into need to revise Tariff & Trademark Acts to put damper on gray-market imports has been launched by Commerce & Customs on behalf of Cabinet-level Working Group on Intellectual Property. Other agencies involved include Justice, State, OMB, Office of U.S. Trade Representative.

Gray-market imports, sometimes known as parallel, are foreign-brand products brought in and marketed by someone other than U.S. trademark owner. Such unauthorized imports, generally limited in electronics to portable video & audio products, video & audio cassettes and watches, are legal under U.S. law when both U.S. & foreign brand rights are effectively owned by same company, such as Sony, TDK or Seiko. Gray-market importers generally don't buy direct from factory, but from authorized 3rd country distributors who use re-export sales to boost their volume and obtain extra discounts.

Gray-market sales at low prices have severely disrupted U.S. market for several brand-name companies here, and have created some customer relations problems, as such products frequently aren't covered by factory warranty. But official U.S. response to complaints has been that foreign manufacturers could clear up situation by being more discriminating in their non-U.S. export sales.

Questionnaire being sent to interested businesses and consumer groups seeks general information on products involved, countries of origin, pricing differentials and share of market obtained by parallel imports. Trademark owners are being queried on impact such products are having on sales & pricing, and how they are reacting to competition. Gray importers are asked about sales, business policies, and what impact would be if they had to change or erase brand names. From consumers, questionnaire seeks information on purchase motivations and repair experience.

While probe is part of overall study, it could lead to specific recommendations on whether change in laws would be in public interest. Details from: Sam Orandle, U.S. Customs Service, Office of Regulations & Rulings, 1301 Constitution Ave. NW, Washington, D.C. 20231 or Barbara Luxenberg, U.S. Patent & Trademark Office, Commerce Dept., Crystal Plaza 3, Room 11E10, Washington, D.C. 20231.

World's thinnest radio, just 5/32" and otherwise about size of credit card is due from Panasonic in Sept. at \$100. Unit is stereo FM-AM, price includes charger for built-in nicad battery and in-ear headphone. It utilizes RHCs (Radio High-Density Circuits), 3D multilayer network containing ICs, capacitors & resistors, announced last Jan. and employed in mini stereo-FM headphone radio brought to market earlier this year (TVD Jan 16 p18).

Korea's Samsung plans to float \$30 million bond issue in Europe, using proceeds to finance expansion into large-scale ICs.

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VOL. 24, NO. 22

VIDEODISCS AT CES: Though no longer considered mass market product, videodisc players will be much in evidence at Summer CES opening in Chicago this week, with optical Laservision getting most attention and VHD making reappearance.

Pioneer Video promises most activity on floor with theater-like exhibit to show off latest in LV, including first twenty 8" discs. Emphasis will be on music video, with discs expected to retail for \$10-\$15. Same programs will be demonstrated on PV's new \$5,000-plus video jukebox and sing-along package that will be marketed as jukebox accessory.

New convert to LV is RDI Video Systems, which had considered using RCA's interactive CED player for its disc-computer system (TVD Feb 20 p19). RDI said it will have 5 games on display. Meanwhile, CES debut of new LV player manufacturer and disc replicator is being rumored.

JVC is bringing VHD back to CES both on & off floor. It will feature system at exhibit as part of "audio-video computer system of the future," hold demonstrations in hotel suite for potential business & institutional customers. There's also possibility JVC will resume its aborted shot at U.S. home market. While there are "no precise plans" for U.S. launch, source told us, VHD has had reasonable success in Japan and "we still have an interest," in U.S. market.

As for CED, RCA as announced will halt player production in June, remain in what Videodisc Vp-Gen. Mgr. Arnold Valencia calls "transition phase, changing to a software business [serving] over 700,000 customers." Valencia told distributor meeting in Las Vegas that "nothing has been diminished" in support of programming effort.

RCA has induced studios to continue releasing new major titles on CED, expects at least 18 this spring including such hits as Silkwood, Fanny & Alexander and Terms of Endearment. RCA is mailing catalog of 1,200 titles to all player owners, has new free preview disc for dealers. "The disappointment touched all of us," Valencia said of RCA's CED player phaseout. "Our job is not completed. Now is not the time to back off on videodisc."

Valencia said RCA is shipping additional 40,000 machines (about 50% of parts inventory) to help distributors move software, also providing \$2.5 million in ad & promotion funds. He encouraged distributors to buy non-RCA software, claimed disc sales are moving again. However, he quashed idea someone will come along to rescue player. "We have had a number of calls from venture capitalists who wanted to buy our tooling," but "when we give them our numbers they begin to lose interest," he said. "We don't think it's credible because prices are predicated on high volume." Some distributors are trying to make arrangements to buy from Hitachi, which is still selling CED players in U.S. & U.K. Many distributors are expected to be out of players by June, most by 4th quarter, with big chunk of machines sold to rental market.

New home will be needed for such Esmark subsidiaries as Jensen, Discwasher, Advent & Phase Linear if Beatrice Foods completes planned \$2.5 billion takeover. BF officials say that if they acquire Esmark they'll help pay for deal by selling off Esmark units that don't fit in with its plan to become world's largest marketer of food and related products. BF didn't always feel that way. In 1977, it spent \$105 million to get into consumer electronics through acquisition of Harman International, but it lost money and BF sold Harman-Kardon unit to Japan's Shin-Shirasuna in 1979 and rest of operation, primarily JBL, to founder Sidney Harman in 1980. Meanwhile, Esmark said business segment that includes consumer electronics, automotive & industrial products had 71.3% drop in first operating earnings to \$2.04 million in quarter to April 28 on 10.2% sales rise to \$188.3 million.

Ad notes: Coleco appoints Ketchum Adv. for electronics, including Adam computer, Colecovision game and table-top arcade games, replacing Richard Edwards, which will retain responsibility for other toys & games... Sanyo is doubling ad spending to \$18 million this year, large portion of increase earmarked for new Ultrix audio component line. Also changing name is Wards, Richmond, Va. retail chain operator and parent of N.Y. area Lafayette Radio. Holders will be asked to approve switch to Circuit City Stores at June 20 meeting... Scholastic scrubbed plan for magazine dedicated to Coleco's Adam home computer, will instead supply Adam buyers with copies of Family Computing... EIA Consumer Electronics Group hires pianist Peter Nero as a spokesman.

Videodiscs haven't rejuvenated coin-op videogame market, according to Williams Electronics, which said it took \$4 million writeoff of inventory costs and other expenses relating to Star Raider game it introduced at end of last year. Williams said game "suffered from the general lack of market acceptance of laser disc games." Writeoff, continued weakness in coin-op videogame market and "a substantial reduction in royalty income" from licensing of home versions were cited by Williams as cause of \$3 million loss in 2nd quarter to March 31 that boosted 6-month deficit to \$6.2 million.

Mattel is back in computers, this time as software rights licensor to Epyx, which plans Sept. release of disc-based unstructured play programs based on Barbie doll and Hot Wheels cars geared to 4-10-year-olds. Youngsters will change clothes, hair & accessories on doll, redesign and move cars around on screen in same way they play with regular toys. Epyx has 3rd program, based on Hasbro's G.I. Joe, in works... Thorn EMI Software has acquired worldwide marketing rights to programs from Perfect Software.

At least retailers are cashing in on current consumer electronics market boom. In prospectus for planned \$27 million public offering, N.Y. discounter Crazy Eddie says net jumped 223.6% to \$3.1 million in 8 months to Jan. 31, on 26.7% sales rise to \$95.3 million.

MORE ATARI BELT-TIGHTENING: Atari is continuing to consolidate operations in effort to cut overhead, reduce production costs. Latest moves: (1) Another round of layoffs, this time among white-collar workers. (2) Shutdown of Hong Kong computer manufacturing venture and transfer of most computer production to owned plant in Taiwan. (3) Winding down of home game & computer sales effort in Japan.

Between now and end of month, Atari will be trimming 1,000 from clerical and management staff, including several at vp level, reducing workforce to about 1,500. Layoffs are part of reorganization being supervised by Robert Morgado, former aide to ex-N.Y. Gov. Hugh Carey, who is now on staff of Steve Ross, chmn. of Atari parent Warner. Morgado is one of group of Warner executives charged with cutting Atari's employment and operating scope, and unit is no longer direct responsibility of Warner Co-COO Emanuel Gerard. Resizing could make Atari more attractive as investment to N.V. Philips, which has been discussing purchase of equity interest or some other form of business combination with Warner (TVD May 28 p14).

Being folded at end of month is Atari Wong, which has been producing home computers & videogames. Atari's partner, Wong Electronics, will continue assembling disc drives and other peripherals. In addition, Atari reportedly is going to phase out contract under which Hong Kong's Chelco Sound has been assembling computers. XL800 computer production is being shifted to Taiwan, where owned plant now turns out 2600 game consoles & cartridges. New step-up 7800 game console, as well as computer & game software, will continue to be produced at plant in El Paso.

Atari International Nippon, set up just year ago to market version of 2600 game in Japan and serve as spearhead for home computer market entry, is being phased out. Atari's game will continue to maintain presence there through its coin-op marketing unit, Far East Arcades. Atari had very limited success in Japanese game market, which is dominated by Nintendo with 50% share achieved by Family Computers. FC sells for about \$60, or half suggested list of Atari's game. Atari plan to sell home computers there was effectively squashed by Japanese industry agreement on MSX standard.

Atari's home computer sales here in first quarter are understood to be down by about 35%, due to market softness and to price boosts implemented at start of year. Atari has rolled increase back on XL800, while low-end XL600 is believed candidate for discontinuance. Now uncertain is future of XL1450 high-end computer with built-in disc drive that Atari showed, dropped, then revived last year. Unit has been penciled in for late fall introduction, but that could be changed.

Not helping competitive situation any is report Andy is preparing to launch new high-end all-in-one radio Shack home computer system that will include

64K memory, single disc drive and printer at \$799. Computer is expected to hit market this summer, drop in price to \$699 in Christmas sale book.

CROSLEY BRAND COMEBACK: One of very oldest names in TV, Crosley, is now newest, bowing at Consumer Electronics Show in Chicago this week in exhibit of QT&T (formerly Quasar Microsystems), which has formed subsidiary Crosley Electronics, market TVs, radio & stereo. Line will be expanded next year to more sophisticated products, company says.

Heading up CE as pres. is industry veteran Phil Baird, who has kept Crosley name alive in market by selling promotional products on special order basis to mail-order marketers, mass merchandisers, discounters. Baird said he picked up consumer electronics rights to brand when it slipped into public domain following Ford's sale of Philco consumer electronics business to GTE Sylvania in 1976.

Baird said short TV line would feature b&w from Korea, 13" & 19" color from Hong Kong. He declined to specify sources, but it's believed its color sets are produced by Conic, which now markets own brand here. During his multifaceted career, Baird acquired Conic's U.S. operation from Hong Kong parent, later sold it back.

Crosley was among original TV brands to hit market just after WWII; Crosley also made appliances, and founder Powell Crosley introduced Crosley car. Company also owned Crosley Bestg., one of pioneering broadcasters. Crosley operation was acquired in 1947 by Avco. Historically, Crosley brand did much better in appliances than in TV, though it made major splash in 1952 with introduction of Super V, 17" semiportable b&w with low tube count, listing at then bargain price of \$140.

Avco shut down TV-appliance unit in 1956, and brand was picked up by Philco, which had been Crosley private label customer for washing machines & refrigerators. Philco, of course, later was acquired, then liquidated, by Ford. Consumer electronics brand rights were sold to GTE Sylvania, and GTE later transferred both Sylvania & Philco brands to North American Philips.

Matsushita has licensed Ampex under its patents to make & market thin film metal evaporated videotape. Non-exclusive license is 3rd to be granted, others having been taken out by 3M & BASF last year. Metal evaporated tape, currently being made for 8mm Video format, permits development of tape only 10 microns thick, compared with 21 microns for standard VHS videotape.

Taiwan production of CRT display monitors is expected to double this year, according to estimates of Philips Taiwan, island's major tube glass producer. It expects manufacturers there to turn out about 3 million monitors valued at \$200 million this year -- 700,000 color, 2.3 million monochrome.

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\$250 VHS COMING? CES last week foreshadowed explosion of VCR supply next year, when that product moves into market mainstream and becomes commodity handled by secondary brand importers. Koreans will be permitted to float VCRs on world market beginning in 1985, under terms of their licenses, and Japanese already are re-engineering their basic models to remove cost so they can compete.

Korean suppliers are gearing up for push to start next March after expiration of ban on exports that Sony & JVC placed on foreign licensees. Both Gold Star & Samsung had several VHS VCRs on display, Samsung also showed VHS play-only model that spokesman said would sell for about 25% below leader recorder. Importer Unitech displayed 2 Korean VHS models it said would be priced at \$350 & \$700 (remote), promised remote stereo at \$800. Hyundai showed basic Beta VCR, but spokesman said company may sell VHS when it enters market next year. Korea's other Beta licensee, Daewoo, had none on view at exhibit, but was telling customers it would be showing VCRs at CES in Jan.

Units shown by Korean manufacturers were low-run production models being offered at home. Word picked up at show is that they're working at lining up major U.S. private label accounts that would let them increase output, lower costs enough to enable them to offer first \$250 VHS models here in fall 1985. That in turn would put additional pricing pressure on leader Betas, now retailing here in \$270-\$290 range.

TMK, which sells primarily through mail order & catalog houses, offered Japanese 2-speed (2 & 6 hour) VHS to retail at about \$350, step-up remote at \$699. Lloyds promised July delivery for VHS models listing at \$400 & \$500. First tunerless VHS, intended for use with TVs that have video-audio outputs, was displayed by K&K Merchandising at \$320. Emerson, which has been offering pair of Mitsubishi-made VHS VCRs listing at \$699 & \$895 (remote), had drop-in remote expected to retail for about \$750.

Japanese are sharply aware of competition next year in VCR price market. Sony Consumer Products Pres. Neil Vander Dussen, conceding "under-\$300 VCRs already have had impact," said last week: "We recognize there is an under-\$300 market and will do everything we can to have a product to reach that potential without sacrificing reliability or quality." Impending rough-&-tumble price competition also is major factor in propelling Japanese toward new 8mm Video standard and new 1/2" super VCRs it's developing (TVD April 23 p10).

Panasonic Consumer Video Div. Gen. Mgr. Stan Hametz told CES seminar that VCRs could drop to \$300-\$399 within 12-15 months. "In the next 3-5 years, I expect to see them selling at over 10 million a year -- they could hit 12 million. Everybody will be able to afford it -- I see it becoming almost like color TV and telephones in the home."

First VHS Hi-Fi stereo VCRs with built-in

multichannel sound (MTS) tuning capacity were announced by Mitsubishi & Harman Kardon at show. Mitsubishi said unit should be available late this year, sell in \$800-\$850 range. HK unit, also due later this year, was unpriced -- company said it was sourcing deck from outside, adding own electronics, indicating it would be first of line of audio-related video products.

Also branching out was Akai, with its first nonportable VHS decks. Programmable, wired-remote leader is \$630. Unpriced is upcoming VHS Hi-Fi 4-head wireless remote with 139-channel tuner with both on-TV screen and on-set programming display. Added feature is video mute switch that allows VCR to be used as audio-only recorder-player. As we forecast last week (TVD June 4 p16), Grundig's first VHS recorder was shown on CES floor by Display Devices Inc. Unit shown was PAL-SECAM European prototype; DDI said it expects to have NTSC VHS Hi-Fi version next year.

Interactive optical home videodisc game from RDI Video Systems will list at \$2,000, is scheduled for 5-city rollout in Sept. Price of Halcyon system includes player, keyboard, main control unit and microphone headset for voice activation. Those who already own Laservision players with computer ports can buy the other parts for \$1,300. Not included are game packs -- disc, cartridge & overlay -- which will sell for \$80-\$100 each. RDI Pres. Rick Dyer said company will introduce computer interface early next year, allowing hookup to most home units, further reducing cost. Company is spending \$1 million for each of 5 titles being prepared for 1984, according to Dyer, who will limit Halcyon availability to top-of-line outlets. Four of games (Thayer's Quest, Shadow of the Stars, Orpheus, Voyage to the New World) are animated, 5th (Spirit of the Whittier Mansion) is live action. Dyer promised average of one release per month during 1985, all to be pressed by Pioneer Video, said RDI development of arcade game Dragon's Lair was "really a sideline" to Halcyon, which has 1,000-word vocabulary, can be programmed to respond to foreign languages.

Infsoft has closed, reportedly is preparing to file for bankruptcy. Firm was prime developer of home & personal computer operating systems, designed original word processing program built into Coleco's Adam system. Coleco, however, had to revise program after it changed high-speed tape drive formats, and has since revised it again. Infsoft, it's understood, was not involved in revisions, ended up settling for about 50% of estimated \$500,000 Coleco had agreed to pay for job.

Tandy's Memtek Products, which markets Memorex video & audio cassettes outside Radio Shack retail chain, plans to challenge GE in rechargeable battery market. Company is introducing 9-volt, D, C, AA & AAA batteries in \$9-\$10 range, with charger. GE is estimated to hold 75% of rechargeable market which accounts for about 7% of overall annual battery sales of about \$2.3 billion.

JUNE 11, 1984

NO. 24
BATTLE OF MINI-TV'S
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BATTLE OF MINI-TVS: One of few surprises at CES was LCD pocket color set by Citizen with larger screen and at lower price than model being fielded by Hattori under Seiko & Epson brandnames (TVD May 28 p13, June 4 p21).

Citizen model has 2.7" picture (vs. 2" for Seiko/Epson), will retail at \$350 (vs. \$500), weighs 11 oz. (vs. 16). It's promised for next April (vs. this fall for Seiko/Epson). Display is mounted in flip-up lid with translucent back that allows light to pass through, is viewed by looking down into mirror. Fluorescent light, powered by own battery, mounts atop lid for night viewing, will be optional extra.

Citizen promises fall delivery for b&w version in same configuration, with AM radio, at \$200. Company said it's now developing LCD color sets with 3.5", 4.9" & 7" screens.

U.S. market entry of Sinclair's long-promised 2" flat-tube b&w at \$100, due this summer, has been delayed again, presumably by continued production yield problems. Representative at CES exhibit said there now was no target date for debut, indicated set may arrive some time in 1985.

Among new conventional sets at CES: Pioneer introduced unique "expandable TV monitor" -- 25" unit with stereo amplifier at \$1,200, with plug-in tuner module at \$150, RGB module for personal computer at \$70, singalong karaoke module with reverb amplifier and microphone jacks at \$70. Also introduced by Pioneer was complete new 25" component TV system including monitor, amplifier, video control tuner, speakers, at \$2,499.

High-end audio manufacturer NAD, which previously had offered video systems identical to those of Proton, sourced through Taiwan's Fulet, showed new 20" FST monitor receiver that it said was made in U.S.

In back room of its display, GE showed prototypes of 14" & 20" square-cornered tubes, scheduled for May-June 1985 and 26" due next Jan.

Rent A Movie Machine (RAMM) is newest franchising marketer of VCRs for rental. Founded by former Port-A-Video executives, RAMM is offering distributorships at \$129,000 each, including 80 VCRs, 400 cassettes. It's using modified Matsushita-made VHS portables that it buys from various marketers, houses them in lockable case. At CES, RAMM also was showing VHS player-only sourced from Korea's Samsung but, we were told, isn't recommending it at this time, provides no warranty.

Kaypro was official supplier of computers for services at CES in Chicago last week. Computers, programmed to supply international visitors with names of exhibitors interested in export sales, and media representatives with lists of new products on display, in past years were provided by Toshiba. Oki supplied printers.

LATEST FORECASTS: Current video hardware & software sales boom caused massive upward revision in industry's 1984 sales estimates for mainstream products. That's shown by comparison of consensus figures released by EIA at CES in Chicago last week with those Assn. issued at Winter CES in Las Vegas last Jan. (TVD Jan 9 p16).

Against those at start of year, industry sales estimates are up 13.6% for color TV, 24.1% for projection TV, 27.2% for VCR, 18.2% for color cameras, 23.4% for blank and 32.1% for recorded videocassettes. But market conditions also resulted in some reduced forecasts. New b&w estimate is down 8.6%, computers off 22% for hardware, 37.9% for software. In videogames, latest hardware estimate is down 20%, software forecast is 12.2% lower.

Here's rundown on sales outlook for 1984 and 1985 as issued by EIA last week:

	Units*		\$ Value*		Avg. Price*	
	1984	1985	1984	1985	1984	1985
Total TV...	21.28	21.00	6,130	6,220	--	--
color.....	15.80	15.90	5,400	5,500	342	346
monochrome	5.30	4.90	400	370	75	76
projection	.18	.20	330	350	1,833	1,750
VCR.....	7.00	8.00	3,440	3,760	491	470
deck.....	6.00	6.80	2,680	2,880	447	424
portable..	1.00	1.20	760	880	760	733
Camera.....	.65	.75	460	510	708	680
V'cassette.	113.50	156.50	1,165	1,515	--	--
blank.....	95.00	120.00	720	860	8	7
recorded..	18.50	36.50	445	655	24	18
V'disc play	.23	.10	55	40	244	400
V'disc.....	8.00	8.00	120	120	15	15
blank.....	95.00	120.00	720	860	8	7
recorded..	18.50	36.50	445	655	24	18
Computers..	5.30	6.50	2,200	3,000	410	470
Software...	55.00	80.00	1,000	1,450	18	18
V'games....	4.00	3.00	300	200	75	66
Game softw.	65.00	61.00	975	800	15	13
Audio system	3.05	3.07	630	610	207	199
CD player..	.20	.40	80	120	400	300
Radio.....	40.00	40.00	550	530	14	13
V'disc play	.23	.10	55	40	244	400
V'disc.....	8.00	8.00	120	120	15	15
Port. tape.	26.00	26.50	1,170	1,190	45	45
w/radio...	15.00	15.60	860	960	57	57
tape-only.	11.00	10.90	310	300	28	28
Headset port#	19.00	20.00	500	510	26	26
Audio cass.	250.00	260.00	260	270	1	1
Telephone..	31.10	34.50	1,240	1,475	40	43
wired.....	25.00	28.00	750	975	30	35
cordless..	6.10	6.50	490	500	80	77
Answerer...	2.70	3.50	200	290	74	83

*Units & value in millions. Value & pricing at factory level. #Headset audio also included with radios and portable tape.

National Semiconductor broke ground for 70,000 sq. ft. wafer fabrication factory in Israel. Total investment will be \$55 million, substantially financed by Israel govt.

CES COMPUTER SCENE: Just as June 1982 CES showed how marketer proliferation was setting stage for chaos & dropouts in videogame cartridge business (TVD June 7 p13), so last week's Chicago event offered promise of major computer software shakeout.

Where obvious collapse is going to come is in over-fat ranks of educational software producers, particularly those offering to help pre-kindergarten youngsters learn everything from alphabet to nuclear physics. Home management field also is rapidly getting overcrowded, and while panelists at software conference cheered obvious growth of industry, there were first signs of concern that there's no way market will be able to support all entrants.

News on hardware front came from 4 introductions for fall. Commodore unveiled \$300 64K console with built-in word processing, data base, spreadsheet & graphics programs, but it's not compatible with its current best-selling model 64. Sinclair demonstrated its \$500 QL, said it would start by selling via mail order, move to retail stores in mid-1985 when that's justified by demand. Sinclair, of course, lost its prime distribution earlier this year when Timex left market.

Atari Pres. John Farrand, at press briefing to introduce peripherals & programs for new 7800 game console, said company has indeed scrapped original step-up 1450XL computer, but would introduce new model with even better performance late this year. Unit will be compatible with existing computer, contain high-density disc drive, accept expansion cards for 80-column display and to enable it to run non-Atari software. He indicated that cards also will be made available for 800XL. He didn't give price, but \$800 is considered to be in ballpark.

Shown privately was \$1,000 high performance computer due in Dec. from Amiga. Unit has separate microprocessors for generating video display, leaving CPU free to concentrate on on-screen movement.

But pricing & marketing plans may just have to be changed as result of IBM price cutting announced after show closed. IBM reduced list of leader PCjr \$70 to \$600, expanded memory version \$270 to \$1,269, reduced PC models and most peripherals by 18-23%. It also announced it was giving extended credit terms to dealers.

Much heralded Japanese MSX format got little in way of exposure, but word is "wait till next year." At private briefing, MSX format developer Microsoft told software suppliers and hardware marketers that Japanese producers will hit European market this fall, launch coordinated introduction effort here next spring.

Computer-controlled BSR X-10 home command system, developed for Aquarius dropped by Mattel, has been revived for use by Radio Shack color computers. System provides on-screen display of module locations and programming instructions fed

by computer to separate central controller. Controller runs system after being unhooked from computer. Computer package, including controller, programming cartridge and couple of modules, is expected to retail for about \$100. BSR said it planned to offer system for other computers.

Despite current bad publicity, "the home computer business is alive & well, and we're selling twice as many as we did a year ago," we were told by John Roach, chmn. of Radio Shack parent Tandy. Computers are becoming useful home systems "and aren't just for playing games," he said. RS has strong market position, but that isn't generally recognized, Roach said. Because all sales are through RS stores "we're not out there competing for shelf space" with independent dealers, and "some people forget we exist." To help get utility message across, next month RS will offer free home demonstrations in 13 markets. Basic package, including computer, controllers, modem and selected programs, will go for \$1,475, step to \$1,975 with printer and word processor.

Meanwhile, Coleco is putting new push behind its computer. In current ads announcing "The 1984 Adam Is Ready," Coleco talks about its new parts suppliers, service organization, software and 6-month warranty. It offers free collection of 32 education & game programs to those buying complete system or Adam expansion set for Colecovision game consoles by Sept. 15.

Sony has agreed to build laser disc replication plant in Terre Haute to provide duplication for gov., industrial & education customers, company announced last week. Sony said plan is contingent on its getting tax exempt financing and urban development grant. Plant is expected to cost \$15-\$20 million, employ 100 when operational in fall 1985. Terre Haute is site of CBS/Sony digital audio CD disc plant, now under construction. Sony said decision on location came after Ind. Gov. Robert Orr issued legislature-backed resolution calling for repeal of state's unitary tax in 1985. Sony Chmn. Akio Morita has been leading Japanese industry battle to have such taxes abolished. States with unitary taxation base levy on worldwide profits of international corporations.

Games Network says it's getting \$4 million in new working capital from investment group in exchange for up to 3.09 million shares of common stock. GN has been unable to repay loans, was threatened with loss of central computer it uses to store computer games it feeds to homes via CATV systems (TVD May 21 p16). Network now says it plans to start service by end of summer.

RCA hiked quarterly dividend to 26¢ per share from 22.5¢, left payout on preferred unchanged. Chmn. Thornton Bradshaw said "we felt this was the time to share" with holders RCA's financial turnaround "and to express our thanks to them for staying with us through a difficult period."

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VOL. 24, NO. 24

CONSUMER

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TV TUBE IMPORTS: Imports of color TV picture tubes as component parts dropped sharply in first quarter, and while that decline was offset by growing number of imported tube-inclusive kits, overall shipments were up only slightly, Commerce figures show.

Color tube imports totaled 97,800 in quarter, down 43.9% from same period last year, though value was off just 15.9% to \$7.83 million. Addition of kits, imported mainly from Mexico, Japan & Singapore, raises tube import total to 277,700. Overall color tube imports represented only 9.4% of consumption by U.S. color factories in period, down from 11.3% in first quarter last year.

Helping maintain color tube import value total was general rise in indicated average prices. Average price of tubes 12"-&-under rose to \$60.43 from \$55.20, while 14-15" increased to \$55.93 from \$49.19, 18-19" climbed to \$84.34 from \$59.65 and 20"-&-over rose to \$73.25 from \$64.78. Exceptions were 13", which rose only modestly to \$43.90 from \$41.94, and 16-17", down from \$112.86 to \$96.15. Relatively large increases in 14-15" & 20"-&-over pricing probably reflects addition of flat square cornered tubes. Likely cause of price rise in 19" on major volume decline is shift in mix to improved resolution tubes.

Up sharpest of all were imports of projection TV tubes. While sales of projection TVs gained only 15.1% in quarter, last year marketers were selling off excess inventories built up in 1982, while this year they are in full production. Average pricing held level at \$49.02.

In b&w, unit imports dropped 18.1% to 43,600, while value fell 24.2% to \$717,600. Average price of 12-16" tube slipped to \$15.58 from \$17.09, while average for other sizes edged down to \$16.81 from \$17.88. Here are results:

U.S. FIRST QUARTER 1984 PICTURE TUBE IMPORTS

Type	Units	%chg.	\$ Value	%chg.
Color				
12" & under	12,049	-33.1	728,125	-26.8
13".....	22,107	-63.2	959,508	-61.9
14-15".....	19,778	+20.9	1,106,267	+37.5
16-17".....	1,698	-18.4	163,270	-30.5
18-19".....	29,211	-48.1	2,463,630	-26.6
20" & over.	32,925	+52.3	2,411,879	+72.3
w/TV kits..	179,927	+115.1	n.a.	--
Monochrome				
12-16"...	12,199	+97.7	190,000	+80.2
Other....	31,378	-33.3	527,602	-37.3
For projection TV				
	51,567	+415.6	2,527,697	+413.0

HITACHI NET UP: Hitachi credited electronics, particularly VCRs, semiconductors & computers, in reporting 11% increases in both sales & earnings in year to March 31 on consolidated basis. It predicted net will rise 11% again in current fiscal year to \$778 million.

At meeting in N.Y. last week to announce results, Hitachi said VCR sales jumped 78% in fiscal year to about 2.5 million, with U.S. accounting for 55%. Major rise stemmed in good part from RCA's switch last year to Hitachi from Matsushita as source for its VHS VCRs. Hitachi said sales of semiconductors rose 29% last year, put computer growth at 22%.

Hitachi expects to join other Japanese manufacturers in launch of MSX personal computers next spring, will offer high-end system priced at about \$2,000. Hitachi didn't say whether computers would be offered under both Hitachi and private brands.

General Instrument's annual report says sluggish videogame market was primarily responsible for 89.7% (\$40.3 million) drop in operating profit from its semiconductor operations in year to May 30 to \$4.7 million. Sales were down only 17.7% to \$233.5 million. GI said results stemmed from declining demand for videogame and cartridge ICs and costs associated with transition to new IC production process. That represented 35% of GI's \$113.9 million decline in overall operating net, which was off 61.6% to \$71.1 million. GI component products operation suffered \$2.6 million loss because of development & start-up expenses for line of switching power supplies. Much of rest of profit decline stemmed from broadband communications segment, which had 53% drop to \$51.8 million because of reduced demand and price competition in CATV equipment area.

Coleco expects to be profitable in 2nd quarter, company told holders at annual meeting last week. Company said it has \$400 million order backlog, 75% of that represented by Cabbage Patch Kids doll line. Electronics products, including computers, video & tabletop games, will account for only about 1/3 of sales this year, against about 60% in 1983.

Problems with VHS Hi-Fi duplication are exaggerated, according to CBS/Fox Video Vp-Gen. Mgr. Fred Fehlauer, who is responsible for in-house duplication. There's "no inherent machine problem affecting the quality of the audio signal" in either Panasonic or JVC slave VCRs, provided equipment is "designed to handle the exceptional audio qualities," he said. "We in the video industry are doing ourselves a disservice by tainting the introduction of VHS Hi-Fi with incomplete & inaccurate reports." CBS/Fox so far is only program supplier to commit entire line to VHS & Beta Hi-Fi formats.

Polaroid's 8mm camcorder is made by Toshiba, not Hitachi, as reported last week. We regret error.

JUNE 12, 1984

NO. 24, NO. 25

SEEING THE FUTURE: CO...
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operating under totally unrelated ownership: Admiral, Bendix, Capehart, Crosley, DuMont, Emerson, Hallicrafters, Hoffman, Motorola, Olympic, Packard-Bell, Philco, Pilot, Sylvania, Warwick, Westinghouse -- plus 80 or 90 that were less well-known. How many of today's household video/audio names will be trivia quiz answers of the future?

VIDMAX SUES ATARI: Vidmax, developer of Mysterydisc, first interactive home videodisc game, charges Atari with contract breach in \$2.9 million suit filed in U.S. Dist. Court, Cincinnati. Action alleges Atari pulled out of agreement to produce & market coin-op TV game Robot Rebellion being developed by Vidmax.

In suit, Vidmax says Atari agreed March 27 to make staged payments of up to \$600,000 as advances against royalties to fund game development expenses, first due April 2. In return, Vidmax was to deliver finished master videotape of game in Sept., give Atari home & computer game version rights, first refusal on all coin-op games it developed through 1986. Vidmax says it relied on Atari agreement in incurring substantial start-up costs but was put off when it requested scheduled April 9 payment of \$170,000. On May 2, brief states, Atari said it was dropping out of deal.

No reason was given for Atari's decision, but current depressed state of coin-op business is good bet. Also, under new Chmn. James Morgan, Atari is in middle of cost & project cutting effort, has adopted highly conservative approach to new products that centers on low risks and quick returns. Arcade game unit accordingly has been trimmed and is being moved from Cal. to Tex. After making big splash when introduced last year, disc-based arcade games quickly slipped in popularity, are now in as depressed a state as rest of coin-op videogame industry.

Atari "put us in a very serious position," we were told by Vidmax CEO Robert Robbins, who said "time is short" for company to find \$600,000 needed to finish program. He said he still has faith in industry, however, and is seeking to raise \$2.5-\$3 million. Vidmax needs to finance plan for 2 of 5 disc arcade games it wants to have on market by mid-1985, including one company calls convertible arcade game jukebox. "We're not looking for a Band-Aid," Robbins said.

Also still searching for more coin from coin-ops is RDI Video Systems, which has developed arcade version of Thayer's Quest game it used to demonstrate its \$2,000 home Halcyon computer-disc game system at Summer CES (TVD June 11 p16). It has installed single machine at Yellow Brick Road in San Diego, same location it used last year to test its, and industry's, first disc game, Dragon's Lair.

Bally too is continuing sales effort, and is sticking with interactive NFL Football arcade game that uses CED disc, according to Advanced Video Pres. Richard Fisher, pres. of developer Advance

Video. Although RCA has halted CED player production, it's understood Bally has enough inventory to forge ahead. We're told fewer than 4,000 units have been installed so far. Fisher says Bally will come out this summer with new Dallas Cowboys-Washington Redskins disc with improvements that overcome glitches that affected earlier releases.

Poor performance in arcades will be subject Fisher will discuss in talk at U. of Neb. annual videodisc symposium in Aug. "It's definitely a bad situation," he told us. Biggest problem has been inability of programmers to provide interchangeable discs that would revive player interest, greatly extend life of hardware.

Meanwhile, AV and Perceptronics, its hardware knowhow partner in NFL game effort, are working on home disc game version for release next year. They've formed venture, Home Video Games Partners, that is seeking \$500,000 to finance development.

Phone-Mate, which earlier this year choked on, then unloaded excessive inventory of cordless phones and became marketer of answerers exclusively (TVD March 19 p14), is getting infusion of capital from its Japanese supplier. Asahi has agreed to provide \$9 million in loans & financing, price reduction on future purchases. In return, P-M Pres. Richard Hillman has agreed to sell Asahi his entire 553,800-share holding for undisclosed price. Asahi will seek to acquire additional 155,000 shares through tender offer to outsiders. Stock purchase, valued at about \$1.77 million at current price, would increase Asahi's ownership of P-M from 9% to 42%. Last year P-M lost \$11.3 million on sales of \$45.5 million. Technicom also is being hit hard by phone market glut. Company said it expects to show \$11 million loss in quarter to June 30 because of cordless & wired phone inventory writedown by subsidiary Mura.

Japan's Toshiba will provide Samsung with technology & software for Korean language word processor. Toshiba also will cooperate with Samsung in major appliances. It's first such link between those companies. In past Samsung has relied most heavily on Japan's NEC for electronics knowhow, while Toshiba's Korean connection was Taihan, which sold its electronics & appliance business to Daewoo last year.

Mostek is spending \$8 million to expand production at IC plant in Dublin, Ireland. Company said new equipment being installed there is expected to be operational by year's end and plant workforce is being doubled to 800.

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VOL. 24, NO. 26

FALL-WINTER CATALOGS: Sears' prices are down on some color TVs and VCRs in new catalog, as compared with spring-summer version. Book now features 5 VHS recorders, 3 Beta VCRs.

Beta VCRs begin at \$320 (down \$60 from spring book), front-load stepup at \$490 (down \$30), Beta Hi-Fi, one-event 7-day timer, wireless remote \$690. VHS recorders start at \$470 (down \$30), front-load stepup \$490, 4-event version with wireless remote \$640, VHS Hi-Fi 6-event \$990 (Aug. 1). Single VHS portable is \$940, with new 2.75-lb. autofocus Saticon camera at \$790. CED stereo videodisc player at \$240 is down \$100. Videodiscs are listed, mostly \$19.99.

Sears color TV begins with new, shorter line of small-screen sets -- 5" AC-DC at \$270; 9" at \$230; 12" at \$260 (up \$10); 13" leader at \$290, scan remote \$340, monitor receiver with RGB & video inputs \$340. Leader 19" is \$290 (down \$10), keypad model \$340, ladder tuned set \$400, keypad model with 112 channels \$440, same with SAP bilingual sound \$460, scan remote \$440, keypad remote with 111 channels and MTS jack (2 models) \$490; 2-sided stereo 140-channel keypad remote with built-in MTS is \$690; 20" MTS monitor receiver \$690.

Table 25" is \$590, with remote kit \$50, lowest console \$540, keypad remote starting at \$578, with various consoles with MTS jack at \$680-\$980. Front projection 50" set returns to book, now at \$1,979. Sears has 5 monochrome sets, including 12-in. at \$98 with 80-character capability for computer display. Caption adaptor continues at \$280.

J.C. Penney 9" AC-DC color is \$300; 13" leader \$300, scan tuning stepup \$320, keypad remotes \$350 & \$380, keypad remote monitor receiver \$400; 19" starts at \$350, VIR 112-channel model \$480, scan remote \$470, keypad remote \$600, keypad remote monitor receiver with stereo amplifier \$650.

Table model 25" with keypad tuning, scan remote is \$700, monitor-receiver with stereo amplifier, keypad remote \$900, scan remote console \$700, keypad remote swivel console \$850. Penney now offers caption adaptor made by Sanyo Mfg. Co. (25% owned by Sears) at \$280.

Penney VCR line, which in spring book started with closeout VHS leader at \$500, now begins with carryover at \$600, stepping up to 4-event version at \$650, with 6-event 4-head version cut \$190 to \$700, new 2-event model \$800, deluxe Dolby stereo model \$1,200. Portable is \$1,300, high-end captioning autofocus camera \$1,200 -- together are \$2,000, saving of \$500. Penney has discontinued CED videodisc player.

* * * *

There are no videogame consoles or software in either Sears or Penney books, and Penney has no computers. Penney cut back on computers in spring-summer catalog, retaining only Atari 600XL & 800XL models. Coleco Adam computer and computer add-on for Colecovision game console are gone from

new Sears book, but Atari models, which were missing in spring-summer edition, are back. Sears has Atari 600XL at \$188, 800XL at \$230. It continues Commodore 64, but at \$200, down \$30 from spring-summer, has added portable Executive 64 with built-in 5" color display and disc drive at \$1,000. Sears offers savings of \$30 for buying Commodore 64 with either \$280 disc drive or \$250 dot matrix printer, \$60 with 3-piece set. Atari buyers get \$30 off console with purchase of \$350 printer, \$50 with \$380 dual-density disc drive, \$100 with 3-piece set.

Computers are in estimated 5.8 million U.S. homes for penetration of about 7%, and nearly 75% were purchased last year, according to study by Link Resources of sample 4,000 households. About half of owners spent less than \$300 on console, some 25% spent more than \$1,000, and 13% of owners said they plan to upgrade this year. Study shows 40% have hand controls for games, 34.6% own disc drives, 25% have printers. While only 12.5% have modems, more than 20% of respondents said they intend to buy them this year. They're not, however, big spenders. Nearly half said they have spent less than \$100 on software, and about same number said they won't spend that much this year. Owner demographics are upscale, about 50% having college degrees and holding professional or management jobs. Of nonowners looking to buy computer this year, 50% said they had no brand preference. Apple was choice of 40% who had specific model in mind, followed by IBM with 25%. Market leader Commodore was choice of 11%, while Atari came in with 5%.

Ad notes: Network TV ad spending on computers & software rose 12% to \$43.8 million in first quarter, according to TvB, but gain was centered primarily on personal, not home, models. IBM was outlay leader with 22% rise to \$11 million, followed by Apple's 16-fold jump to \$6.1 million. For home marketers, Coleco spent \$4.3 million, against nothing in 1983, but Commodore had 18% decline to \$5.1 million, Atari was off 14% to \$2.45 million... N.V. Phillips assigns \$4.5 million U.K. TV & VCR account to Ogilvy & Mather... Datasoft names Eisaman, Johns & Laws for computer software, replacing Richard Levin & Assoc... SCM appoints Rosenfeld, Sirowitz & Lawson for computer printers & typewriters, replacing Warning & LaRosa on \$3-\$5 million account... Mitsubishi International appoints Keller-Crescent for cellular phones.

Computer software distributor SKU, now subsidiary of McKesson, is boosting discounts about 10% on sales to retailers to 50% of suggested list and absorbing shipping costs. Other side of coin is end to 90-day inventory balancing policy that allowed retailers to return slow-moving titles. SKU said there are too many titles on market, cost of handling returns was becoming excessive. Company said it hoped policy change would force retailers to be more realistic about what they stock and manufacturers to give more thought to actual salability of programs they offer.

END OF THE BOOM? Industry is scrutinizing EIA weekly figures more closely than usual to determine whether slackening sales mean return to more plausible levels or whether June setback is just warm weather phenomenon that will soon be reversed.

Fact remains that in first 4 weeks of 5-week June, color sales were down 4.7% from same 1983 period, color camera sales declined 15.1%, and VCR sales -- while still at record pace -- lost some luster. VCR sales in June so far ran at annualized rate of 6.9 million, compared with 7.5 million in May, 7.9 million in April and nearly 8.1 million in March.

Color sales pace plummeted to 13.3 million level in June from nearly 17.2 million in May and 15.8-16.6 million for other 1984 months. If color sales fall below last year for full 5-week June, it will break 20-month string of records. If color cameras register dip for month -- as now seems overwhelmingly likely -- it will be first down month since EIA year-to-year figures became available in Jan. 1982.

Inventories of VCRs at pipeline level are now at record high of more than 600,000, and further buildup seems inevitable in view of accelerating exports from Japan (see related story elsewhere in this issue). Color TV stocks are at or near record 3.5 million.

B&w TV sales for first 4 weeks of June were down 35.1%. Brightest spot in entire picture was projection TV, whose sales at 11,413 units soared 53.9% from June 1983 and, with one week still to go, already are record for any June.

Of course, June could be mere temporary resting spot in boom. Some marketers report sales were hit hardest in east, which suffered from heat wave as air conditioner sales soared. Traditionally, air conditioner boom has adverse effect on other consumer durables during heat wave but leads to pickup later because of dealers open to buy with air conditioner dollars.

Next week, when full data are available for June and first half, we hope to present more complete analysis of sales picture & prospects.

* * * *

Cumulative sales of VCRs in U.S. passed another landmark -- 12 million have been sold to dealers since start of home marketing in 1975 (see Home VCR Census). Subtracting for non-home sales, inventories, transshipments, etc., we figure that nearly 11 million are now installed in homes.

Sanyo has agreed to establish \$6 million color TV manufacturing joint venture in China. New firm, Huaquiang Sanyo, is slated to begin color production in Sept. at 5,000 monthly rate.

Toshiba received \$10.6-million contract from China to help remodel b&w plant in Tianjin for color production, supply 60,000 17" color TV kits for assembly there.

EMERSON NOW VIDEO COMPANY: It took 11 years and corporate rebirth, but Emerson is again bigger in video than audio, according to Senior Vp Saul Knazick. Emerson was almost exclusively TV marketer in 1972 when it was folded by parent National Union Electric. But it's been primarily radio & phono brand since its 1974 market reintroduction by Major Electronics, which has since changed its corporate name to Emerson.

But video is Emerson's biggest market segment now, and will account for 62-63% of sales this year, Knazick says. Video was just under 50% of volume last year. In fiscal 1983 to March 31, Emerson reported sales of \$180 million, against \$14 million in year brand rights were acquired from NUE.

While Emerson usually has had some video in line, primarily b&w minicombs, it really moved into market last year, offering color & b&w sets sourced primarily from Korea's Gold Star. Last April, it added first VCRs, buying VHS home decks from Mitsubishi. In 1984, Knazick said, Emerson expects to sell more than 600,000 color TVs, in excess of 550,000 b&ws, and about 200,000 VCRs.

Based on current estimates, Emerson will hold about 4% share of color market, ranking it about 10th in industry, or about on par with Panasonic & Quasar, as indicated by our most recent market share survey (TVD June 4 p17). In b&w, it would have about 10% share, putting it in 3rd or 4th place, along with Sears. VCR share would be close to 3%, placing it around 15th in industry.

Because color imports from Korea are subject to antidumping penalties, Emerson is still looking for U.S.-based supply source. That Emerson began search last Sept. was revealed by Pres. Steven Lane at International Trade Commission dumping injury hearing earlier this year (TVD March 12 p16). There are negotiations with several companies, but nothing firm yet, Knazick told us. While Emerson may be required to continue relying on imports for most of its portable-table color, it does expect to have domestic production deal for 25" consoles. Knazick said company intends to introduce its first consoles in Jan. at Winter Consumer Electronics Show.

First U.K.-Japan IC technology link is established by Inmos and NBS Semiconductor. NBS is recently launched subsidiary of Mineba, Japan's leading producer of ball bearings. Under license agreement, reportedly valued at about \$4.3 million, Inmos will supply NBS with know-how for production of 256K dynamic RAMs. NBS plans to start output next spring at 200,000 monthly rate, sell half to Inmos. Firms also agreed to cooperate on development of 1M RAM.

Commodore arranged \$125 million in new bank credits, raising current line to more than \$300 million. Company said it would use borrowed funds to increase pre-Christmas production.

TRAMIEL ACQUIRES ATARI: Coming up with better no-money-down deal than N.V. Philips, Commodore founder Jack Tramiel last week got back into home computer business by acquiring Atari computer & videogame assets from Warner Communications. Tramiel has been on beach since last Jan. when he unexpectedly resigned as Commodore pres.

Purchase is by new Atari Corp., launched by Tramiel and several executives who joined him from Commodore, with \$75 million bankroll. New venture gets certain Atari assets, plus warrants to buy million Warner shares at \$22 each for \$240 million in 9% & 13% notes. Warner also gets right to acquire 32% of venture — assuming it ever again feels urge to get into consumer electronics.

Tramiel acquires Atari inventory — valued by Warner at \$242 million as of March 31 — and brand rights, game console and software manufacturing operation in El Paso, game and computer console plant in Tawain. Warner retains all Atari's real estate in Sunnyvale, Cal., profitable arcade videogame business, including plant in El Paso and Ataritel, now-stagnant venture formed last year to take Atari into high-tech home telecommunications market. Warner's 1983 annual report pegged value of all Atari assets at \$661.3 million, including \$218.9 million in inventory. Analysts estimate game-computer operation was being carried at about \$325 million.

Takeover brings end to James Morgan's 11-month tenure as Atari chmn. He was brought in from Philip Morris last Aug. to turn company around. He spent last several months lopping off staff & operations to reduce company size & overhead, moves many considered prelude to Warner's sale of unit. Morgan presumably has long-term contract, and it's likely another job in Warner organization will be found for him. Atari Pres. John Farrand is considered prime candidate to head Warner's continued coin-op involvement, job he had before Morgan moved him to present post.

Under Tramiel, Atari can be expected to abandon Morgan's most recent course of putting renewed stress on games in effort to get quick sales gains, and return heavily to computer wars. Atari's step-up computer with built-in disc drive & applications, which had been promised for delivery later this year, is Tramiel's type of product. With his proven cost-cutting capability, it could be brought in at significantly under planned \$800. Such a model would position Tramiel where it's generally felt he was taking Commodore — into home-business systems market — at price well under competitive offerings from Apple & IBM.

Tramiel lost no time in starting to reshape Atari. By week's end, he had installed 2 sons in management posts (see Trade Personals), assigned 3rd, Gary Tramiel, job of collecting \$400 million in doubtful and past-due receivables, began sending pink

slips to white-collar staff. Under Morgan, Atari had dismissed about 1,800 workers this year alone, and Tramiel will drop several hundred more over next couple of weeks as he chops away at current high staff of 1,100.

Warner said disposition of Atari and writedown on retained assets would result in pretax \$425 million loss. Deficit includes cost of recent layoffs, as well as shutdown of Atari R&D operations in N.Y. & Cal., and Atari's operating losses of \$538.6 million last year and \$34.9 million in first quarter this year brings 18-month deficit to \$998.5 million. In last annual report, Warner said that despite 1983 loss it was still to acquire Atari in 1976. Net operating loss is about \$714 million, or some 23% more than RCA lost on CED videogame system.

Warner's loss at Atari brings us to conservative estimate of more than \$3 billion for industrywide operating losses on home computers, videogames and related software over last 18 months. Deficits are known for such majors as Texas Instruments (\$660 million), Activision (\$35 million), Milton Bradley (\$32 million), CBS (\$15 million). Loss at Timex presumably approached that of Mattel, deficits at Coleco & N. American Philips were substantial, estimated at combined \$200 million. In addition, such software majors as Apollo, Data Age, Fox Video & Quaker Oats dropped out while Imagic had deficit. Then there were hardware departures by Tomy, Panasonic & Emerson, loss at Spectravideo, unenumerated deficits by semiconductor & peripheral suppliers and other software companies, along with numerous failures among program & systems developers, smaller computer companies.

For Warner, Tramiel bid easily topped what it would have gotten by transferring all or part of Atari to N.V. Philips. Warner & Philips, which still hope to merge their audio record subsidiaries on worldwide basis, acknowledged that their talks had expanded to include possible link through Atari. But insiders tell us Philips was offering to take controlling interest in exchange for no more than partial assumption of any future losses. Philips, of course, also would have helped Atari on technology & manufacturing fronts.

Warner-Philips hardware tie-up is still good possibility as result of Warner's retention of Ataritel. Earlier this year, Philips' U.S. affiliate, N. American Philips, formed Philips Home Interactive Systems subsidiary to probe market opportunities in computer & communications products. Ataritel is known to have developed several high-tech phone-related products for home, could be of interest to Philips & NAP.

VCR component plant will be built in U.K. by Japan's Alps, to start production in fall 1985, employing about 300. Alps' investment will be \$7-\$9 million.

JULY 9, 1984
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Consumer Electronics Personals

Jack Tramiel, Commodore founder, is now chmn. of Atari Corp., formed to acquire Atari consumer operations from Warner Communications; Sam Tramiel is pres.; Leonard Tramiel heads software operations (details elsewhere in this issue)... Shakeel Mozzafar resigns as Polaroid Magnetic Group product mgr. (videocassettes, 8mm Video camcorder & computer discs), plans and replacement unannounced... John Ford advanced at RCA Records from Canadian gen. mgr. to div. vp for U.S. & Canada... Anthony Connolly, ex-NEC, joins Webeor as sales vp for new Business Systems Div.

Harry Machida, Sony America corporate communications mgr., reassigned to international PR post with parent in Japan, his duties & title taken over by Tom Sugiyama... Vickie Smith, ex-Samsung, joins Gold Star July 16 as ad & PR mgr... Art Levis, named vp-corp. editorial dir., CES Publishing, continues as editor in chief of Consumer Electronics Monthly and Consumer Electronics Show Daily... Hope Heyman, ex-Institutional Investor, joins Geltzer & Co. as PR executive on Sony account.

James Cardwell advanced at Warner Home Video from planning & administration dir. to planning & operations vp... Robin Montgomery named Embassy Home Entertainment sales & mktg. vp; David Bixler, ex-Sound Video Unlimited, appointed western regional sales mgr., replacing Chaz Austin, resigned; Robert Cook named vp-gen. mgr. of newly formed Strategic Business Development Div.; James Brown named SBB sales & mktg. dir... Christie Peterson appointed international services mgr.; Teruji Mochimaru joins as gen. mgr. of EHE Japan, new venture.

Brian Wood advanced to Video Club mktg. vp, CBS's Columbia House... Dan Gold, ex-Disney Home Video, joins Vestron Video as southern Cal. field sales rep... Sandra Brewer named assoc. producer, Home Theater Network; Thomas Jenkins joins as northeast region dir.

Robert Pepper, onetime RCA Solid State Div. vp-gen. mgr., more recently Electronic Products & Labs new business development mgr., appointed pres.-COO of IC maker Semi Processes, succeeding Robert Freund, now chmn.-CEO... Peter Loonta, Sprague IC Div. vp, adds post of gen. mgr. at another Penn Central subsidiary, Solid State Scientific, assuming responsibilities of Pres. George Rutland, resigned.

Sony has agreed to supply parts & knowhow to China's Xixian Electronics for production of 20,000 Beta VCRs this year, 40,000 next year, 60,000 in 1986. Sony said it would consider expanding tie to include joint production venture after 3-year agreement expires. Sony also said separate Chinese licensee has started Trinitron color TV production, will produce 60,000 this year, expand to 500,000 annually in 3 years.

Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available at press time. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
AM Cable TV Industries			
1984-year to March 31	24,082,000	(6,249,000)	---
1983-year to March 31	32,764,000	1,072,000	---
1984-qtr. to May 31	5,342,000	(3,460,000)	-.30
1983-qtr. to May 31	8,679,000	271,000	-.08
Corning Glass			
1984-24 wk. to June 17	828,500,000	59,300,000	3.12
1983-24 wk. to June 19	733,100,000	53,500,000	2.54
1984-12 wk. to June 17	410,100,000	36,600,000	1.74
1983-12 wk. to June 19	30,100,000	16,500,000	-.79
MGM-UA Entertainment			
1984-9-mo. to May 31	568,525,000	32,558,000	-.85
1983-9-mo. to May 31	505,478,000	28,302,000	-.62
1984-qtr. to May 31	162,073,000	5,582,000	-.11
1983-qtr. to May 31	143,176,000	5,014,000	-.10
MGM-UA Home Entertainment			
1984-9-mo. to May 31	145,828,000	33,490,000	1.14
1983-9-mo. to May 31	113,955,000	27,991,000	1.01
1984-qtr. to May 31	53,247,000	12,056,000	-.41
1983-qtr. to May 31	40,342,000	9,907,000	-.34
A. C. Nielsen			
1984-9-mo. to May 31	529,999,000	38,503,000	1.71
1983-9-mo. to May 31	504,455,000	33,979,000	1.51
1984-qtr. to May 31	181,798,000	12,987,000	-.58
1983-qtr. to May 31	171,775,000	11,571,000	-.52
Orion Pictures			
1984-qtr. to May 31	51,000,000	522,000	-.04
1983-qtr. to May 31	33,951,000	2,047,000	-.15

Notes: *Includes special credit. "Restated.

EX-REPS SUE HITACHI: Seeking at least \$950 million in compensatory & punitive damages, 13 former Hitachi reps charge company acted illegally in its switch to direct factory sales Jan. 1. Reps allege fraud and breach of contract in suit brought in L.A. Superior Court. Asked to comment, Hitachi Sales Corp. Exec. Vp Robert O'Neil said he felt settlement with reps was fair, noted that most of the approximately 30 reps had signed.

Reps said they were terminated despite continued assurances that they had 5-10 year future with company, and that Hitachi set up joint venture with each rep, then seized assets. Filing in suit estimates Hitachi Sales Corp. U.S. sales at \$350 million in 1983. Hitachi's attorneys told us they'll file reply July 9.

Mergers & acquisitions: Future Computing, home & personal computer research organization, has been acquired by McGraw-Hill, terms undisclosed. FC is moving from Richardson, Tex. to Dallas... Dale Electronics sale agreement with Dynamics Corp. of America has been terminated by bankrupt Lionel. Lionel claims it had right to call off \$59.5 million deal if it wasn't completed by June 30. DCA said it would challenge action in court. Since signing agreement, Lionel has received better offers for its profitable components subsidiary.

JULY 9, 1984

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A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for week ended June 29 (26th week of 1984):

	JUNE 23-29	1983 WEEK	% CHANGE	JUNE 16-22	1ST HALF 1984	1ST HALF 1983	% CHANGE
TOTAL TV.....	578,620	481,280	+20.2	330,478	9,566,768	8,775,099	+ 9.0
TOTAL COLOR...	451,122*	324,667	-38.9	277,416	7,378,354*	6,145,877	+20.0
DIRECT-VIEW.	447,031*	323,138	+38.3	274,337	7,300,281*	6,089,503	+19.9
PROJECTION..	4,091*	1,529	+167.6	3,079*	78,073*	56,374	+38.5
MONOCHROME....	127,498	156,613	-18.6	53,062	2,188,414	2,629,222	-16.8
TV EXCL. PROJEC.	574,529	479,751	+19.8	327,399	9,488,695	8,718,725	+ 8.8
HOME VCR.....	233,935**	94,149	+148.5	102,796*	2,910,913*	1,578,418	+84.4
COLOR CAMERAS...	9,733	9,889*	- 1.6	6,511	192,181*	163,424	+17.6

Color TV (direct-view) 5-week moving average: 1984--277,636*; 1983--262,133 (up 5.9%).
Home VCR 5-week moving average: 1984--125,048*; 1983--69,683 (up 79.5%).

* Record for period. **Highest week in history.

WORLD VCR CAPACITY NEAR 30 MILLION: Worldwide annual capacity for VCR production could stand at around 30 million by end of year, as compared with total 1983 production of about 18.6 million. Actual production this year should be nearly 27 million. These figures were derived from estimates made at recent Paris meeting by JVC Video Products Managing Dir. Shizuo Takano (TVD July 2 p12).

Current world capacity is just under 27 million, of which 25.5 million, or some 95%, is in Japan, Takano indicated. Other countries: Korea 240,000, Taiwan 120,000, Europe (Philips & Grundig only) 1.2 million, Europe (Japanese assemblers whose product is largely counted in Japan's total) 960,000. Estimates from Japan last week indicated actual Japanese production should hit 25 million this year, up about 37% from 18.2 million in 1983.

Total worldwide VCR production last year was 18.6-18.7 million, according to JVC estimate, including 600,000 units made in Europe by Philips & Grundig. Japanese manufacturers and joint ventures in Europe such as J2T assembled 600,000, Takano said -- included in Japanese total since they were shipped from Japan as kits. In 1983, Japan exported 5.44 million VCRs to U.S., up 117% from 1982, while it shipped 4.6 million to European community, down 16.4%.

Is VCR headed into overproduction? JVC thinks not. "We don't see any overcapacity in the near future," said Takano. In fact, "we see further room for expansion." This is partly because of reassessment of public's appetite for VCR. "Two or 3 years ago we saw penetration in advanced countries limited to 50-60% of homes. Now we think it's not a hobby product but a necessity, and we think it will be in 70-80% of households." Reasons: (1) Declining prices. (2) More diversified uses -- playing recorded tapes, home photography, etc. (3) New VCR types -- hi-fi, camcorder, etc. (4) New generation of video-oriented children.

JVC has great faith in portables, sees them representing 40-50% of sales in advanced countries by end of decade, despite fact that they represented only 8.1% of Japan's total shipments in 1983. Takano said home decks will account for vast majority of first-VCR sales,

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ATARI REVAMP CONTINUES: Winding up 2nd week under new management, Atari is just about shaped into new image under Chmn. Jack Tramiel, founder of home computer rival Commodore, who acquired company from Warner Communications for \$240 million in notes earlier this month (TVD July 9 p12).

While details are still sketchy and hard to come by, it's understood that several hundred, and perhaps as many as 800, Atari staffers at Sunnyvale, Cal. have been let go or put on notice of pending dismissal. Total includes virtually all senior marketing, sales and R&D personnel, some of whom already have been replaced by former Tramiel associates (see Consumer Electronics personals). "Look around here and you wonder who's left to run Commodore," one outgoing Atari vp told us. Also, Atari's parts & service operation has been shut, and toll-free numbers customers could call for location of nearest servicers or help with computer-related problems have been disconnected.

Atari's El Paso videogame console and game cartridge plant that was included in asset package bought by Tramiel has been closed at cost of 300 jobs. Some of production, primarily cartridges, is being moved to Atari plant in Taiwan, which now handles all output of computers & software along with 2600 game console & cartridges. El Paso was turning out step-up 5200 game console and was slated to produce recently introduced 7800. But it's believed Tramiel has decided to drop former, scrub latter.

As for old standby 2600 game, there have been reports Tramiel plans to drop it at end of year, license production & marketing rights to manufacturers in Far East, and turn Atari into computer-only business. But there are equally strong indications he'll stick with game as long as it generates cash flow. Tramiel has been talking about his plans with 3rd party software suppliers. Source at Activision told us company expects Atari to remain in game market, and that Activision & Atari will continue as partners in effort to develop broadcast system for direct delivery of computer & game software to homes.

Next move by Atari is expected to be price cuts on 600XL & 800XL home computers, reversing increases instituted in Jan. by outgoing Chmn. James Morgan, brought in from Philip Morris by parent Warner last Aug. to turn company fortunes around. Home computer market has been relatively stable, though sluggish, for last 6 months, and move could revive 1982-83 price war, force some of few survivors out of market. Tramiel is known to have developed new low-cost high-performance home computer, and feeling is Atari will announce it in Jan. Computer will run existing Atari software.

* * * *

It's becoming increasingly clear that, for short term at least, Tramiel will use Atari to challenge Commodore's now dominant position in home computer market, and do it with help of Commodore

people. Last week, Commodore reacted by filing theft-of-secrets suit against 4 former engineering employees who have joined Atari, asked Chester County, Pa. state court for injunction against Atari's use of that information. Suit alleges engineers copied & retained information on new business computer and multistandard disc drive. It charges thefts were made in May & June, before Tramiel acquired Atari, doesn't include either Atari or Tramiel as defendant.

POLYGRAM CD PROGRESS: Polygram last month turned out 10 millionth CD digital audio disc at plant in Hanover, Germany, since start in Aug. 1982, plans to produce at least 14 million in 1984. Current output by the joint Philips-Siemens venture on 3-shift, 7-day basis is 50,000 daily, scheduled to be increased to 80,000 by fall. Factory sources won't discuss reject rate, but it's understood to be around 25-30%, while consumer returns for 1983 product were about 0.1%, considerably below 0.3% target.

Polygram's total investment in manufacture is estimated at about \$25 million, plus another \$10.5 million in R&D. Mastering, originally handled by Philips in Eindhoven, moved to Hanover about month ago, and new mastering facility can handle about 15 titles a day on 2 shifts, our correspondent reports after tour of Hanover facility. Plant has pressed about 1,600 titles -- custom pressing represents about 1/3 of output. Polygram quotes lead time of 30 days, but has achieved 8 days on occasion.

Questions of CD playing time and future applications, including video, were fielded by Technical Assignment Exec. Bjorn Bluthgen, who said 67.5 min. is "critical time -- more than that and a player which is out of spec won't play a disc," although Polygram has produced discs of over 70 min. Absolute maximum playing time is just over 74 min., he said.

Four-channel disc would be possible, Bluthgen said, but disc would have to run at twice speed, giving only half the playing time. Longer play times at lower fidelity are possible, but not by reducing disc speed. He said 11-hour talking book or even 22 hours of low-quality speech can be achieved by tracking disc 11 or 22 times over at same speed, with laser reaching different sections of data each time through. Same technique, he said, could give 4 hours of background music -- final standard on this lower-fi application will be fixed at year's end.

Standards for CD graphic video display also are planned by end of 1984, Bluthgen indicated. Although it takes 10 seconds to fill screen with graphic design by CD, the "slow-scan" effect can be eliminated by making background & foreground colors the same, then switching background color to make image appear completely formed. When still pictures as well as sound are available on CD, "today's players will need only a small modification to link with a graphics decoder."

FIRST HALF REPORTS: Ups of video business and downs of game/computer market are reflected in financial reports from major marketers last week (see financial table). Reporting upbeat results from TV & VCR operations were RCA, Zenith, North American Philips & Emerson, while Coleco statement shows game-computer depression and ones from Milton Bradley & NAP demonstrate advantages of dropping out.

RCA had record 2nd-quarter net on 12.9% sales rise, and earnings from continuing operations jumped 144.3% to \$108 million. First-half net is after \$175 million writeoff of folded videodisc business, plus disc operating loss of \$17.1 million, both incurred in first quarter. Disc business operating loss in first half last year was \$37.6 million.

RCA said electronics segment set sales & earnings records in period, helped by high sales of color TVs & VCRs, sharply higher results from Solid State Div. Chmn. Thornton Bradshaw said RCA's "recommitment to the company's traditional business of electronics, communications & entertainment is proving to be the correct strategy."

Zenith net rose 54.7% in quarter, 60.8% to set record for half, on new sales peaks for any 3- or 6-month periods. Largest revenue growth came in data display terminals and power supplies, up 51.5% to \$109 million for quarter & 50% to \$201 million for half. CATV product sales gained 36% to \$66 million for quarter, 44% to \$121 million for full period.

In consumer electronics, sales rose 15.3% in quarter to \$249 million, most of increase coming from VCRs. Zenith switched to VHS format from Beta this year, began shipping new models in mid-March. Zenith said that while it set 2nd-quarter record for color TV sales to dealers, continuing decline in pricing hurt profitability. For half, consumer electronics sales were up 18.2% to \$475 million. Zenith said that as result of changes in tax laws relating to undistributed income of domestic international sales corporations (DISCs), it will show \$10 million reduction in tax reserve in 3rd quarter.

NAP, in posting sharply higher net on more moderately improved sales, said it had strong 2nd-quarter sales & earnings gains from consumer electronics, aided by high volume, cost reductions and improved efficiency. NAP said performance also benefited from late-1983 exit from videogame business. NAP said it expected "continuing strong demand for consumer, industrial & professional products" and \$9.5 million 3rd-quarter gain from DISC tax-law change.

Emerson sales nearly doubled and net jumped nearly 15-fold in fiscal first quarter to June 30. Company said net from consumer electronics soared to \$2.58 million from \$828,000 in same year-earlier period, reflecting "success of our expanded TV line introduced less than 2 years ago, and the very strong demand for our recently introduced VCR products."

Demand for audio was favorable, company said. Emerson said it feels earlier forecasts of increases of 48% to \$270 million in sales and 39% to \$10.6 million in earnings from consumer electronics are conservative.

Coleco posted 44% drop in 2nd-quarter net although sales were up 31.9%. It said electronics sales were significantly lower than in 2nd quarter and first half last year, particularly of Colecovision games and software for other game systems, and sales of Adam computer were down from indicated \$46 million of opening quarter this year. Coleco said it expected electronics situation to improve in 2nd half as result of new products and strong promotions for games & computers.

Milton Bradley, which dumped self-contained Vectrex game at end of 1983, showed \$2.4 million profit for quarter, \$7 million net for half, against losses of \$2.4 million & \$4.3 million in same year-earlier periods. Statement indicates that last year MB lost \$3.56 million in quarter, \$5.74 million in half from Vectrex. Earnings for both 1984 periods were boosted by \$750,000 cut in reserve set up to cover Vectrex shutdown.

Apple net fell 24% in fiscal 3rd quarter to \$18.3 million despite sales jump 58% to \$422.1 million. Company attributed profit cut to high promotional costs, said it would spend \$100 million on ads in calendar 1984.

Sony said it increased to \$260 million from \$247 million its earnings forecast for fiscal 1984 to Oct. 31. That would more than double \$123 million net last year.

Toshiba consolidated net rose 54% to \$244 million on 13% sales rise to \$11.2 billion in year to March 31. Helped by strong sales of VCRs and microwave ovens, company said consumer products sales rose 10% to \$3.2 billion. Toshiba said it expects fiscal 1985 net of \$331 million on sales of \$13.6 billion.

Thorn EMI earnings from consumer electronics and appliances edged up 2.2% to \$112.6 million on 9.3% revenue rise to \$1.12 billion in year to March 31. Most of gain came in first half, as demand for TVs & VCRs fell off later. Thorn also announced it plans \$180 million stock offering to finance planned \$163 million acquisition of U.K. govt.-backed IC producer Inmos. Thorn said it will pay \$124 million for govt.'s 76% interest, offer \$39 million for remaining 34%, most of which is owned by Inmos employes. Inmos has plants in U.S. & U.K., signed cross-licensing agreement recently with NBS Semiconductor of Japan.

Technicom said it expects to report loss of \$11 million in 2nd quarter, stemming mainly from inventory writedowns on cordless & wired phones by subsidiary Mura. Company indicated it was seeking restructuring of debt with lenders, may merge into TIE-communications, which holds 57% interest in Technicom.

LV GAME PLAYER SALE: Interactive laser videodisc players are being liquidated at discounts of up to 50% off list as result of failure of videodiscs to revive arcade videogame market. Major source of unwanted players is Cinematronics, Cal. company that got disc-game ball rolling with instant hit Dragon's Lair, then saw business take nosedive few months later, and now is having financial difficulties.

Through American Technology Resources, small electronics distributor based in Media, Pa., Cinematronics is trying to sell off 3,000 units of 2 models that have been superseded by Pioneer Video. ATR has single unit price of \$900, dropping to \$850 each for 50, \$750 for 100, \$650 for 500, and \$625 each for lots of 1,000 or more. Pioneer Video asks \$1,125 for its newest player, reportedly will go as low as \$950 for quantity orders.

ATR also has batch of 2,000 older players, originally listed at \$2,450, now priced at \$750-\$1,100 each depending on quantities. These are being reconditioned by Cinematronics at rate of 45 per week, and 25 have been sold already to industrial users, according to ATR's James Pitt. Prime potential customers, he said, include GM, already big buyer of earlier model, and Apple, which has installed LV players in 300 kiosks to promote Macintosh computer.

Resale role "is something that fell into our laps," according to Pitt, who told us ATR also is handling about 200 LV players being dumped by Mylstar. "They're not in that big a hurry." ATR sees continuing role in LV, wants to distribute institutional discs that so far have received little exposure via direct mail.

Ad notes: RCA's long-standing challenge to validity of some Sony ads was rendered moot when Sony said it planned to discontinue mention of Emmy it won for development of Trinitron picture tube. In complaint filed with BBB's National Ad Div., RCA said ads were misleading because they didn't mention that award was won 10 years ago. NAD was unable to resolve case and bucked dispute over to National Ad Review Board (TVD April 23 p16). Sony's dropping of campaign means NARB will take no action... Juki Industries appoints Alden Group for computer printers... GE assigns \$4 million Plastics Group account to Marsteller.

Cal. is top state in electronics employment, had 538,000 in industry jobs June 1983 -- latest date for which figures are available -- representing 23.4% of national total of 2.3 million, American Electronics Assn. estimates. AEA said that work force total was up 3% from June 1982, estimated jobs rose to 2.4 million this year. N.Y. ranked 2nd, but well down from leader with 219,000 jobs, followed by Mass. at 189,000, Tex. 131,000, N.J. 104,000, Ill. 101,000. Other major state totals: Fla. 90,000, Pa. 78,000, Minn. 67,000, Ariz. 56,000, Ohio 53,000, Colo. 51,000, Ind. & Md. 48,000 each, Conn. & N.C. 47,000 each.

SHARP GETS FREE ZONE: Sharp's bid to get free-zone status for its Memphis color TV & microwave oven assembly plant was approved by Foreign Trade Zone Board. Clearance means Sharp will be able to import parts duty free, pay duty of 5% only on foreign content value of TVs, 4% for MW ovens it ships from plant to locations in U.S., no duty on exports. However, FTZB, as expected, made color picture tubes it imports for use in sets to be sold here.

Sharp gets some advantage on items it makes for sale here, as it doesn't have to lay out duties on imported components & subassemblies until finished products actually leave factory. It gets bigger edge on exports in not having to go through detailed and time-consuming refund procedure. At time it submitted petition to FTZB, Sharp said it wanted free-zone designation because it planned to use facility for exports. Sharp said that if request were approved it would add 125 to current work force of 740, said alternative would be expansion in some other country (TVD Jan 9 p14).

Sharp is 3rd Japanese color producer to get free-zone designation for U.S. assembly plant. First was Sanyo's in Forrest City, Ark., other was Toshiba's in Lebanon, Tenn. Approvals for those also have restriction on use of imported picture tubes. Gold Star's plant in Huntington, Ala. is located in industrial park that has been given general free-zone status, but company hasn't yet applied for needed specific designation.

First big-name casualties in expected major shakeout of nonentertainment computer program marketers are Reader's Digest Software and independent distributor SKU. RDS, along with other activities of Reader's Digest Educational Div., is being phased out in what RD terms restructuring to focus on its core businesses. SKU is being folded by McKesson Corp. & Action Industries, which acquired operation earlier this year. Partners will write off estimated \$8 million total investment. SKU was founded by marketing exec. Don Kingsborough between stints as sales head of Atari. Most recently, Kingsborough was Atari's sales exec. vp, left in May, shortly before consumer business was sold by parent Warner Communications to Commodore founder Jack Tramiel.

Mergers & acquisitions: Media Home Entertainment, subsidiary of U.K.'s Heron Group, has acquired video software library of Nostalgia Merchant. While terms were undisclosed, purchase price has been pegged by trade sources at less than \$1 million. Purchase gives MHE rights to about 400 titles, increases size of library to about 1,000. However, NM's rights to films from RKO & Viacom are expiring soon, may not be renewed... Electronics industry saw 87 mergers in first quarter, up 34% from same 1983 period, as value of deals climbed 45% to \$726.5 million, according to consultant W.T. Grimm & Co.

JULY 23, 1983

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CONSULTANTS

The market strategists must be read from Television July 1983.

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MATSUSHITA NET JUMPS: Matsushita's consolidated earnings jumped so sharply in 2nd quarter & first half that company has doubled its estimate for profit growth for full year. Paced by strong overseas demand, particularly in U.S., Matsushita said, net in quarter to May 20 rose 21.2% on 15.6% sales rise, and for half it reported earnings climb of 33% on 19.8% increase in sales (see financial table).

Based on those results, Matsushita said it's now predicting profits for full fiscal 1984 will be up at least 21% to \$940.2 million, and sales will increase no less than 14% to \$4.54 billion. Matsushita earlier had forecast 11% earnings rise, 10% sales growth for this year.

Video equipment continued as Matsushita's largest business segment for full period, with sales up 18.9% to \$3.42 billion. Increase was paced by VCRs, cameras & tapes, with 26% rise to \$2.55 billion. Sales of all other video products were up just 1.5% to \$863 million, though color volume edged up 4% to \$795 million. Electronic components was fastest growing business, with 57.7% jump to \$1.11 billion. Communications & industrial equipment also posted sharp 41.8% rise to \$1.61 billion.

Outside of video, however, Matsushita's consumer business improved only modestly. Audio equipment rose 1% to \$983.5 million, appliances 8.5% to \$1.3 billion, kitchen & energy products 2.6% to \$400 million and other products (phono records, bicycles, photo equipment) 4.7% to \$740 million. Overseas sales jumped 26.9% to \$4.58 billion, while sales in Japan were up 13.9% to \$4.98 billion.

Wells-Gardner had breakeven 2nd quarter, showed loss for first half, on lower sales. Company attributed decline in results to continuing deterioration in demand for coin-op video arcade games, noted that number of operators in market also is shrinking. Drops of 13% & 1% in quarter & half respectively in TV sales to Teknika also had unfavorable impact. On brighter side, W-G said revenue from new data display monitor business jumped 11-fold in quarter, 550% for half. Company said monitors now account for 40% of business, up from just 4% at this time last year.

Akai credited higher VCR sales in reporting 27% rise in pretax profit to \$2.2 million in first half to May 30 on sales of \$163 million. However, it expects continuing slump in demand for audio products and outlook for general market downturn in Europe to lower operating earnings for year 27%, to about \$4.1 million.

QT&T, former Quasar Microsystems, had \$76.5 million net loss in 3rd quarter to March 31, 2% profit decline to \$407,100 for 9 months. But excluding one-time special charges and credits, operating net of phone equipment marketer rose 43.3% to \$104,900 for quarter, was up fivefold for 9 months to \$588,500.

ITT trimmed quarterly dividend to 25¢ from

69¢. Company said it was making cash conservation move to help support current \$2 billion annual rate of investment in high-tech products & services and to improve debt-equity ratio.

Bally posted 36% rise in 2nd-quarter net to \$1.87 million, but improvement all came from gaming & health club businesses. Company said that all sectors of coin-op videogame business, including manufacturing, distribution & arcades, "still are below break-even levels."

Stiffer unfair import competition enforcement measure passed by House last week would allow domestic producers to file antidumping or countervailing duty complaints against foreign manufacturers that use underpriced components in their products. Bill, however, hasn't been taken up in Senate and is opposed by Administration. Deleted from bill was section declaring as unfair "targeting" of specific product areas for intense exports by foreign govts. that fund or provide other incentives for manufacturers. Administration spokesmen argued that U.S. support of domestic computer & semiconductor industries could be considered unfair practice under bill's language. EEC, meanwhile, toughened its antidumping code to permit instant reimposition of penalty duties against products of companies suspected of breaking pledges to sell only at fair value. In past such move couldn't be made until pricing was verified. It also reduced time companies will have to appeal dumping findings.

Ad notes: Polaroid moves computer disc account from Ally & Gargano to Ogilvy & Mather. O&M now handles all Polaroid magnetic media, including videocassettes and 8mm Video camcorder, which it already had... Toshiba will double ad outlay in 4th quarter for largest ever campaign that will appear in 72 national & regional magazines, include broadcast & cable TV ads... Atari is expected to discontinue ad campaign for videogames, end association with agency Doyle Dane Bernbach. Games may be consolidated with computer account that is remaining at Wells, Rich, Green for time being at least... Citizen appoints Newhoff & Burr, L.A., for \$3 million computer printer account... Viare Publishing (Video Review & Video Pro magazines) moves to 902 Broadway, N.Y.C. 10010, 212-477-2200.

Commerce & Customs Depts. have extended to Sept. 20 from July 20 deadline for submissions for their study on need to revise Customs regulations permitting gray market or parallel imports (TVD May 28 p14). Imports of foreign-brand products by companies other than registered trademark holders are allowed when foreign owner of brand is related to official U.S. importer. Usual source for gray market products is overseas distributor disposing of excess inventory. Authorized importers seeking legal change to stop such shipments complain they cause market disruption, generally aren't covered by warranties honored in U.S. and often are models not intended for sale in U.S., leading to repair problems for consumers and generating ill will for brand name.

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VCR RENTAL GROWS: TV-appliance rent-to-own retailers are finding VCR becoming substantial business, up from nearly nothing 2 years ago (see report elsewhere in this issue). And all that success is leading some appliance firms to experiment with cassette rentals as well.

In last year, VCR rentals have at least doubled as percentage of Wichita-based Rent-a-Center's total business, according to Pres.-CEO Thomas Devlin. Price cuts in hardware have allowed company to rent units at \$35-\$45 per month, he explained. As with most RTO companies, Rent-a-Center transfers ownership of VCR after 18-month rental (\$630-\$810 in total payments). About 22% of customers exercise purchase option, Devlin said.

By fall, Devlin hopes to roll out cassette rental experiment in 5 of 94 company-owned stores. Tentative plans call for each store to stock 300-500 titles in both Beta & VHS. Devlin disagrees with other RTO executives, who will rent only VHS tapes because their stores rent only VHS machines. "If you don't [rent Beta], you're going to miss 30-40% of the market," Devlin insists. Rent-a-Center is backing up experiment with research and complete marketing program.

Universal TV Rental is reluctant player in cassette rental. Mktg. Dir. William Warden said because of customer demand, company has stocked 12 of 50 stores with 200 titles, all VHS. "You have to have a larger inventory and you have to turn it more frequently" to be really successful, he said, but Universal has chosen not to make deep investment in software. Consumers will rent their first dozen titles from Universal, then move on when they want greater selection, he explained. Company sells blank tape in all its stores at \$8.95, has just cut weekly VCR rental from "very competitive" \$17.95 to \$14.95. VCRs were added to Universal's inventory 2 years ago, Warden noted, now represent "20% of our rentals."

Largest franchisor in rental business is Colortyme, with 400 outlets. Pres.-CEO Willie Talley said about 10% of Colortyme stores rent tapes. If store goes with cassette rental option, company will supply 700 tapes -- 450 titles, all VHS -- for strictly rental program. Talley feels only thing holding some stores back is lack of space, noted that software rental "seems to work better in small towns."

At least one RTO company is sitting on sidelines in software scramble. Remco is going to stay out of software, at least for present, James Graham, owner & pres., told us. At same time, he said VCR rentals at Remco's more than 100 stores are increasing every month.

Hitachi will spend \$45 million to expand IC manufacturing operation in Irving, Tex. Company is building wafer fabrication facility, expects production to start in mid-1986.

SMC NET UP FOR HALF: Sanyo Mfg. Co. showed 167% rise in net in fiscal half to May 31, though earnings fell 84% in 2nd quarter. Sales rose 28.4% for full period but edged up only 3.8% in 2nd quarter (see financial table). SMC said strong first-half gains stemmed primarily from demand for color TVs. While microwave oven sales were up slightly, "the market has become very competitive, with an increasing number of companies in the marketplace."

SMC also announced it boosted capital by \$11.4 million through sale of 3.5 million authorized but unissued shares to its major holders, Sanyo Electric, subsidiary Sanyo Electric Trading and U.S. retailer Sears. Sales leave Sanyo companies with just over 74% interest in SMC, Sears with slightly more than 25%. SMC was formed in 1974 to acquire & operate former Warwick color TV plant in Forrest City, Ark.

Texas Instruments said record semiconductor orders, shipments & profits, plus end to losses from discontinued home computer business, helped it post strong profit in 2nd quarter, against deficit in same 1983 period. TI said sales also were up for calculators and electronic learning aids. Order backlog at end of first half, mainly for semiconductors and govt. electronics, was \$3.38 billion, up 28.8% from same period last year and 12.8% from end of first quarter, TI said.

NEC reported 35% rise in consolidated sales to \$182.2 million on 22% sales increase to \$7.2 billion. Company said it had strong overall growth in demand for ICs and other electronic devices, sharply improved overseas sales of communications equipment. NEC said it expects profit in current fiscal year to be up 30% to \$235 million, with sales rise of 19% to about \$8.6 billion.

Kloss Video lost \$148,300 in 2nd quarter, though deficit was reduced from opening period. Sales were up slightly for both quarter & half.

Dynascan, caught up in industrywide cordless phone inventory glut, had \$5.6 million loss in 2nd quarter, \$10.3 million deficit for first half. It was profitable in those periods last year. Sales were down 47.1% in quarter, 23.1% in first half.

Activision continued to suffer from weakness in videogame & computer software market, posted \$3.6 million loss in opening fiscal quarter to June 30. Sales were down \$76.3% to \$6.2 million.

Toys "R" Us retail chain had indicated 11.7% decline to \$26.4 million in sales of electronics products, principally videogames, computers & software. Overall sales were up 37% to \$293.5 million.

Du Pont & Hitachi have agreed to cooperate in development, production & sales of electronic materials. Agreement is outgrowth of cross-licensing deal worked out last year in settlement of patent disputes.

WARNER DETAILS LOSSES: Warner announced higher than anticipated losses for 2nd quarter and first half (see financial table), made its first disclosure of deficits from cable operations and said it was implementing new round of white-collar cutbacks. Also, there were reports that 2nd of its 2 co-COOs would be heading elsewhere.

When it signed agreement to sell Atari's consumer game & computer business to Commodore founder Jack Tramiel last month, Warner said it expected to show pretax 2nd-quarter loss of \$425 million. Instead, Warner had net loss of \$437.6 million for period. Loss includes \$78.4 million posttax from discontinued operations, \$332 million in disposition costs. From continuing operations, Warner had loss of \$27.2 million for quarter, \$20 million for first half, after deficits from equity in cable & broadcasting business.

Disposition loss reserve stems primarily from Atari, and is after allowing for value of \$240 million in notes, plus stock warrants in new Atari that Tramiel paid for business. It also contains provision for sale of Franklin Mint, which has been profitable recently but is now up for sale as part of Warner plan to concentrate on core businesses.

Those core operations -- filmed entertainment, recorded music, publishing & distribution -- provided bright spot in Warner's report, posting 107.8% jump in operating net to \$47.8 million for quarter, 42.7% rise to \$113.9 million for half. Hit movies and sales growth for Warner Home Video in U.S. & foreign markets help boost net from films 115% to \$30.6 million for quarter, while earnings from music jumped 163% to \$13.4 million.

Warner is implementing "plan that will reduce our corporate operating costs by 50%," according to Chmn. Steven Ross, who said one result will be staff reduction of 75% in less than year. Last Oct., Warner cut staff to 500 from 800, is expected to lop off up to 250 in this round. One key executive expected to depart is Emanuel Gerard, who got credit for Atari's spectacular growth from its acquisition in 1976 through 1982, but also holds corporate responsibility for \$1 billion loss generated since. Though there's been no official comment, Gerard is seen moving to Hasbro, toy company in which Warner acquired minority interest last year in exchange for its Knickerbocker Toy subsidiary. Warner's other co-COO, David Horowitz, left to become chmn. of MTV Networks, Warner Amex Satellite Entertainment subsidiary holding assets of MTV & Nickelodeon, which is going public.

World's largest picture tube is claimed by Mitsubishi, which developed 40" tube with 5:3 widescreen aspect ratio in cooperation with NHK and Asahi Glass. Tube is approximate equivalent of 25" version with sides extended to widescreen ratio. Mitsubishi also says it developed video circuits to display up to 1,125 scanning lines on screen.

VCR IN 55% OF HOMES IN '90? VCR is seen as most important new electronic medium of this decade, passing cable in penetration of TV homes by 1990 by Hugh Beville, former NBC planning vp, who retired as exec. dir. of Best. Rating Council last year.

In 2-part study for TV-Radio Age magazine, Beville notes that while most "new media" prognosticators have ignored VCR, it not only should beat out cable, but in next 5 years "VCRs & cassettes will have more effect on TV viewing than SMATV, multichannel MDS [multipoint distribution service], DBS, teletext, videotex and 2-way cable put together."

Assaying VCR's growth, Beville notes it's now faster than color in its peak growth period, stating that if 1984 pace continues, penetration could exceed 60% of TV homes in 1990. If it "reverts to the color curve, 1990 penetration will approximate 50%." "To be conservative," he pegs 1990 penetration at 55%, or 51 million VCR homes, pointing out this level can be reached with average gain of only 7 million units per year after 1984.

At same time, he sees cable growing from current 42% of TV households to 52%, or 48 million homes by 1990.

Beville gives "widely accepted" categories of individuals who adopt new products as: Innovators (first 2.5%), early adopters (next 13.5%), early majority (next 34%), late majority (next 34%), laggards (last 16%). He says VCR is now in "early majority" phase, steepest slope of curve.

Reasons frequently given for cable's growth apply with even more force to VCR, Beville argues. He cites cable's marketing campaign geared to "more choice, convenience, selectivity & diversity than standard TV" and adds that VCR "could promote the same consumer benefits for videocassettes vis-a-vis standard & cable TV. Cable would be hard pressed to match the consumer's ability to make his own choice of program from tens of thousands of titles and play it precisely when he wants it. And he gets theatrical movies on cassettes months ahead of pay TV and can match his expenditures with his cash flow."

Color cameras pulled out of doldrums in week ended July 20, with sales of 10,182 (see State of the Industry), highest for any week since Jan., after 6 consecutive weeks of declines from last year in sales to dealers, according to EIA figures. Same week saw 5-week moving average of VCR sales to dealers push to all-time high, eclipsing record set last Dec.

Computer-videodisc player interface, including cable & software needed to link Commodore 64 to Laservision player, is \$49 from Digital Research, Monterey, Cal. Interface permits computer keyboard control of interactive videodiscs. DR says it will have models for Apple & IBM computers later this year.

STEREO TV KICKOFF: First real debut for stereo TV is scheduled for today (Aug. 13) in Seattle, when KIRO-TV will proclaim itself nation's first stereo TV station. Service will be launched with big campaign, special local show and joint promotion with RCA, which will give away stereo TV sets -- tickets for drawing available from RCA dealers.

Opening show will be locally produced entertainment special featuring music, demonstrations, "lip-sync contest," explanation of how stereo works, along with some music videos, according to Vp-Gen. Mgr. Glenn Wright, who said station will set up hot line to answer viewers' questions.

Station actually will put stereo on air for couple of days using prototype equipment supplied by Modulation Sciences Inc. (MSI), then go back to mono until production equipment is available. But Wright is so confident of early delivery that he has scheduled prime-time movie in stereo Aug. 25. He said station has had some difficulty rounding up stereo program material, but will have heavy stereo schedule, including sports, will widely publicize status as first in regular stereo broadcasting.

Also scheduled to air first stereocasts this week is public KTCA-TV St. Paul-Minneapolis, which plans tests Aug. 16, followed by some regular programming. KTCA-TV actually will use same prototype stereo generator as KIRO-TV, and then -- like KIRO-TV -- go back to mono to await production equipment.

MSI is offering TV set makers circuit boards and schematics for building stereo generator & exciter to be used in testing sets. Boards, which don't include dbx encoder, are available for \$3,000 from MSI, 115 Myrtle Ave., Brooklyn, N.Y. 11201, 212-625-7333.

Kyocera is 2nd Japanese electronics producer to refuse to expand in Cal. because of state's unitary tax system. Company, which produces ceramic IC packages & other components in Cal. plant, says it will locate new \$30 million ceramics production & R&D facility in Wash., state without unitary taxes. Plant will employ 250 at start-up next year, 2,100 by 1992. In addition, Kyocera says it won't pay Cal. taxes on worldwide operations assessed after April 1983, is filing suit to challenge system and seek \$21 million tax refund. Earlier this year, Sony, which makes color TV sets & picture tubes in Cal., said that rather than expand there it will build digital audio disc pressing plant in Terre Haute, Ind. Ind. has pledged to repeal unitary tax.

Atari cut list prices on best-selling home computer & videogame. Move was expected, could touch off pre-Christmas price war. Dealer single unit cost on 800XL home computer was dropped to \$165 from \$217, which could lead to discount retails of \$170. Commodore is expected to follow suit with model 64, now generally selling for about \$200. Atari dropped wholesale on VCS 2600 game \$10 to \$40.

ABA DEFERS VIDEO STAND: Strong action by pro-taping interests headed by Home Recording Rights Coalition counsel Gary Shapiro blocked endorsement of copyright fees on home taping last week by American Bar Assn.'s influential Section on Patent, Trademark & Copyright Law. After several votes at ABA Chicago convention, section voted to recommit issue, effectively blocking it until next convention.

Original report supported legislation to "establish a fair mechanism for compensating copyright holders whose works are being appropriated by home taping." In debate, Shapiro and lawyers for video firms filed motion to recommit issue for further study, which was defeated. But they succeeded in gaining passage, 61-54, of crippling amendment specifying that "there shall be no prepaid royalties on recorders or tapes," after which section by voice vote recommitted entire issue, in effect deferring it for year.

Meanwhile, House Judiciary Committee, without debate, reported out audio first-sale legislation that would give copyright owners and songwriters share of rental revenues of sound recordings (TVD June 25 p16). Measure doesn't apply to video. With Congress in recess until Sept., and only 3 weeks of sessions scheduled after Labor Day, final passage isn't assured. Measure must pass House, then go to conference committee to be reconciled with version Senate passed last year.

Ad notes: Commodore signed FTC consent decree agreeing not to misrepresent capability of its products. Complaint stemmed from 1982 ads comparing program availability for Commodore 64 computer with those of rivals. Ad said 64 could run programs written for CP/M operating system, but necessary add-on module didn't reach market until 1983... Atari, under new owner Jack Tramiel, reportedly has notified Assn. of Tennis Professionals that it wants out of computer rankings program. Atari, as subsidiary of Warner, had agreed to support program to end of 1985 with computers, software & promotional fees at estimated cost of \$1 million... Compact Disc Group, digital audio disc promotion association, appoints Zagoren Group, Manhasset, N.Y., for PR... Coleco launches 25-market, \$20-\$25 million TV campaign for Adam home computer this week... Video Theater, operator of VCR & cassette sale & rental centers in supermarkets, appoints HWH for PR... CBS Software establishes in-house PR dept., replacing outside agency Schwartz Assoc.

Superchip effort is being dropped by Trilogi, high-tech venture launched in 1980 by computer wizard Gene Amdahl. Company said it would dismiss half its 460 employes, focus R&D on improved IC packaging and interconnect technology. Trilogi had been working on 2.5" IC that could replace 100 individual memory chips in computers. Trilogi says it spent \$15-\$20 million on project last year, now feels it can't justify additional expense.

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DUMPING REVOCA
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DUMPING REVOCATIONS: Commerce Dept.'s International Trade Administration revoked 14-year-old TV & radio tuner dumping finding as it applies to 2 Japanese producers, announced intention to revoke 2 more in that case and 2 covered by 13-year-old ferrite core dumping finding.

Officially off tuner dumping hook, because of history of no exports to U.S. at less than fair value, are Hitachi & NEC. Decision on Alps & Mitsumi, which were candidates for revocation in preliminary ITA determination earlier this year (TVD July 2 p18), has been held up pending check on valuation of more recent shipments. Tuners covered by finding are components used in assembling complete receivers. Over last several years, similar revocations were granted JVC, Matsushita, Sanyo, Sony & Toshiba. ITA is requiring cash dumping duty deposits ranging from 1.9% to 23.66% of shipment value for imports from other Japanese exporters, but says that will be waived for shipments from any new exporters.

Pending final pricing review, ITA says it will revoke dumping finding on ferrite cores produced by Mitsubishi & TDK and on TDK-made cores exported to U.S. by Sony and Tohoku Metal. It's also waiving dumping deposit on shipments from Nippon Ferrite because margin was insignificant, and on those from any new companies. Deposits from other companies range up to 28% of value.

ITA said it found continued undervalue sales of Japanese-made tone-only pocket pagers in first review of dumping determination issue last year (TVD June 20/83 p20), but based that on inadequate information from exporters. Review covered Nov. 1, 1982 through Aug. 31, 1983. Matsushita, which has since opened pager assembly plant in Puerto Rico, had no exports during review period, and NEC didn't fully respond to ITA's query; as result, their dumping deposit requirements were left at original 109.05% and 70.35%, respectively. New exporter, Oi Electric, also didn't provide complete information, was assigned 89.97% deposit rate, which represents weighted average of Matsushita & NEC rates, and will be used for any other new Japanese shippers.

Teknika will stop buying 13" color sets from private label assembler Wells-Gardner in Oct., W-G says in quarterly report to holders. W-G builds nearly all color sets Teknika sells here using parts supplied by Japan's General, Teknika parent. Teknika, which recently began putting sales emphasis on monitors, will switch to imports for small-screen color, it's understood. W-G said its TV sales to Teknika were down 13% in 2nd quarter, though off only 1% for first half, and that 13" sales to Teknika in first half amounted to about \$320,000 or 2.8% of consolidated volume. Under TV assembly contract, Teknika pays W-G only for cost of assembly.

Far East show calendar: Hong Kong Electronics Fair, Oct. 2-4; Japan Electronics Show, Osaka, Oct. 4-9; Taiwan Electronics Show, Taipei, Oct. 5-11; Korea Electronics Show, Seoul, Oct. 10-14.

COMMODORE TOPS \$1 BILLION: While all other majors in home computer-videogame market founder in sea of red ink, Commodore continues setting sales & profit records. Company reported sales for fiscal 1984 to June 30 were up 86% to top \$1 billion on full year basis for first time, while net jumped 56.8%. In final quarter, net rose 24% on 41.5% sales rise (see financial table.)

Commodore attributed gains to continued strong demand for model 64 home computer and peripherals, particularly disc drives. Company said that while 64 would continue to be product mainstay for rest of this year, it plans to introduce step-up at well under \$1,000 next year with power to challenge Apple's MacIntosh. Commodore said 50% of sales currently are in Europe.

Thorn EMI said soft U.K. markets for consumer electronics and music are responsible for earnings decline in first fiscal quarter to June 30 this year.

Hitachi Maxell blamed falling videocassette prices plus expenses related to inventory buildup at its foreign subsidiaries for 6.3% decline to \$150.8 million in consolidated pretax operating net in year to March 31. Company said it expects income to hold steady in current fiscal year as sales rise about 5.5% to \$750 million.

Williams Electronics had rating on its \$22 million debt downgraded by Moody's Investors Service, which said it expects "continued operating problems" in WE's coin-op videogame unit "which is currently causing large losses."

Koss said it expects to post \$5.2 million loss for fiscal 1984 to June 30. Company said it will have operating loss of \$2.2 million because of intense competition from producers in U.S., Japan & Taiwan. In addition, it will take \$3.5 million charge for foreign exchange losses caused by declining sales in Europe and increased value of dollar.

Bad timing of plant closing has RCA Taiwan embroiled in unfair labor practices suit. It's being sued by 87 female assembly workers who lost jobs because they refused offer to relocate when company closed one plant, opened another 15 miles away. Workers say they should get higher severance pay and other benefits manufacturers are required to give discharged employees under law that went into effect Aug. 1. RCA plant closed Aug. 5. RCA said employees were notified of closing and their options well in advance, acting on basis of rules in effect at that time. Though it had asked Labor Ministry how new law would apply, RCA said, it received no guidance.

Solitron has agreed to supply Riz Semiconductor of Zagreb, Yugoslavia with production equipment, materials & know-how valued at \$5 million. It also will join Riz in manufacturing & distribution effort for selected semiconductor products, assist with construction of new factory.

sophisticated system that will have many more functions, including control of audio & video systems.

Home control center category "could be the next to grow dramatically, as VCRs are now," said GE Video Mktg. Gen. Mgr. Richard Williams. He forecast that 50% of homes would have control centers by 1995. Homeminder will be supported by "multimillion-dollar promotion campaign."

More basic version of same system is given minimal exposure in new Radio Shack catalog as \$100 accessory to TRS-80 Color Computer. Originally developed by BSR for Mattel's ill-fated Aquarius computer, it has same on-screen graphics as GE system, though more limited in functions, has no phone-in capability. Control module is connected to computer through cartridge slot for programming, operates on its own after it's unhooked. BSR showed it at Summer CES, said then it planned to make it available for other home computers (TVD June 11 p18).

* * * *

GE is expected to announce soon that head-to-tape compatibility problems of 8mm camcorder have been solved and that it will introduce Matsushita-made product this year. Also likely to add 8mm VCR this year is Sears.

COMMODORE BUYING AMIGA: Commodore's promise to have low-cost, high-power computer on market at well under \$1,000 next year (TVD Aug 13 p15) apparently will be kept by introducing product developed by outsider.

Commodore last week announced it had agreed in principle to acquire Amiga, which has been developing 32-bit Lorraine computer and showed it privately at last Winter & Summer Consumer Electronics Shows. Terms weren't disclosed. Amiga is best known as marketer of computer & videogame joysticks & accessories, but sold off that business, as well as brand rights, earlier this year to raise cash needed to support computer effort.

Lorraine is understood to be fully compatible with Apple's Macintosh, and Amiga has told trade sources it can easily be adapted to run programs designed for IBM PC & PCjr. In getting deal with Amiga, industry sources say, Commodore won out over competing proposal from founder Jack Tramiel, now owner of Atari. Atari, which recently dropped price on 800XL computer to make it cheaper than Commodore's best-selling model 64, is understood to have sought marketing rights for Lorraine.

In other activity, Warner Communications seeks to sell off restaurant subsidiary as it trims back to basic entertainment-related business. Up for sale is Gadgets, 10-outlet chain that uses videogame arcades & performing robots as attraction. It's part of Warner Leisure subsidiary that also includes Warner Technology & Mariposa Group, units that developed games & robots and are no longer operational.

Lionel says Dynamics Corp. of America has agreed to drop offer to acquire its profitable components manufacturing subsidiary Dale Electronics. Terms of negotiated settlement weren't disclosed. Lionel had accepted DCA's \$59.5 million

bid for its 82% interest in Dale, later received \$82 million offer from unidentified company. Higher bid is understood to have been from U.K.-owned investor Charterhouse Group International. As Lionel is in Chapter 11 proceeding, any action relating to disposition of Dale must be approved by Bankruptcy Court.

K Mart has completed \$295 million acquisition of Waldenbooks from Carter Hawley Hale Stores... RMS Electronics stake has been increased to 244,100 shares, or 14.9%, by investment advisory firm Light Assoc. Light said it's buying shares in accessories marketer as investment for clients, may increase holdings... Datatronic of Sweden has agreed to acquire 90% of financially troubled U.S. computer maker Victor Technologies for \$25 million, including \$15 loan to help settle VT's \$84 million debt.

Sony actively polices manufacture of cassettes for Beta VCRs, has "taken action against hundreds of distributors in Hong Kong, U.K., Taiwan & U.S.," company said in Tokyo in response to our report on unauthorized cassettes (TVD Aug 13 p16). "Our unenforced trademark rights but we have enforced patent rights and copyrights as well wherever possible." In licensing, Sony said, it conducts quality control tests to make sure products meet specs for compatibility. Company said royalty rates are confidential, but amount to "matter of pennies." JVC indicated it is continuing to charge royalties and administer licensing program for VHS cassettes.

Unipacific Corp., importer of Unitech line, said it received \$27 million capital infusion from Lippo Finance & Investment, joint venture of Hong Kong's Lippo Group and U.S. investment banker Stephens Inc. Unipacific said it expects to have sales of \$50 million this year, double those of 1983, when Korean-made VHS VCRs is added to line next spring.

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PHILIPS NET DOUBLED
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Addition of VHS VCR
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FCC EYES DISH ZONING: FCC is considering extent to which local communities should be able to use restrictive zoning laws to regulate placement of home satellite dishes. It has opened proceeding in response to United Satellite Communications (USCI) petition for declaratory ruling, and comments & replies are in.

There's no problem in rural areas where TV receive only (TVRO) stations have won some consumer acceptance despite high cost and physical bulk, but there are obvious difficulties in metropolitan areas, and many high-toned suburban & resort communities have used tight zoning or building codes to head off possible forests of 6-12 ft. dishes. USCI, of course, needs just those types of localities if its direct-to-home broadcast satellite (DBS) service is to succeed.

TVROs have been around almost as long as signals have been bounced off satellites and have met with modest success. Industry estimates 400,000-600,000 U.S. homes have them (but total probably includes sizeable proportion of bars and other public establishments), claims sales of up to 30,000 monthly, or about good single day's sales volume for VCRs.

Twelve localities have been cited by industry group SPACE (Satellite TV Industry Assn.) as blocking homeowners seeking to install equipment. Leading list of what has become known as "dirty dozen" with unusually burdensome regulations or flat-out moratoriums on dish installation by home owners is Chicago -- city whose "dish moratorium law" sparked USCI's petition. Others include 2 in Chicago area -- Park Ridge & Skokie; Quogue & Sands Point on Long Island, N.Y.; Oakland, N.J.; 3 in Fla. -- Davie, Hollywood & Lighthouse Point; Hillsborough & Monrovia, Cal.; Chaska, Minn.

USCI is up against wall in Chicago, which in May 1982 passed law precluding placement of satellite receivers at residential locations unless dishes are certified by city govt. as "planned development." To constitute "planned development," USCI petition said, dish needs approval by local commissioner of planning, city & county development, Chicago's planning commission and City Council, which has drafted 13 guidelines for suitable installation. Approval process requires public notice & hearings lasting up to 30 days and \$100 fee. Petition cited comments of city councilman prior to adoption of law: "I have no quarrel with this ordinance as long as we understand what it is doing, and what it is doing is obviously protecting, giving the cable industry a voice in the future establishment of dish antennas in the city."

USCI petition argued that because communities continue to enforce burdensome laws & regulations that block spread of new technology, FCC should "affirm that its preemption extends to such unreasonable restrictions." It said Commission should "put noncomplying localities on notice that such regulation won't be tolerated."

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USCI made it clear it wasn't suggesting localities should have no dish zoning rules, but said it did want Commission to preempt laws where they: (1) Lack direct & tangible relationship to legitimate & neutral zoning or public health & safety considerations. (2) Interpose regulations that frustrate reception of satellite-transmitted signals. (3) Are contradictory to the preeminent federal interest in establishing & fostering interstate satellite program delivery services to public.

SPACE filed in support of USCI, but said it wanted FCC to provide communities with guidance on limits of their authority to interfere with home dish ownership. "When the community's view of what is aesthetically pleasing conflicts with an individual's right to access diverse sources of information and ideas available by satellite, the conflict should be resolved in favor of the individual," SPACE said. USCI's reply said that petitions by SPACE and one subsequently filed by American Radio Relay League asking for ruling defining zoning limits over amateur radio facilities shouldn't be associated with or delay Commission action on its petition. FCC, USCI said, can distinguish between DBS and home earth station preemption.

On other side were National League of Cities, American Planning Assn., North Area Cable TV Authority of Ferguson, Mo., National Assn. of Counties & N.Y.C. They said USCI's petition involves single municipality's actions and thus was too narrow to warrant federal preemption, and that to segregate regulation of satellite industry from all other commercial ventures is "unreasonable and illogical". They also said that First Amendment argument by USCI, which claimed homeowner right to receive signals, isn't barrier to local zoning restrictions. No comments were filed by Chicago.

Comments by others favoring preemption: (1) Satellite TV Corp. said Commission should preempt not only intentionally discriminatory zoning but unintentional acts as well; FCC should distinguish between DBS and larger home earth station dish preemption. (2) DBS Corp. said DBS, as capital-intensive industry, is "enormous financial risk" and is dependent on ability to install facilities without burdensome interference. (3) M/A-COM said FCC needs to draw "clear bright line" to avoid costly individual litigation; size is factor and Commission should set 10-ft. & 12-ft. limits for residential & commercial stations, respectively.

Atari has plans for big computer sales volume over next year, has moved to avoid disc drive shortage that proved stumbling block for Commodore last year. Tandon says it has agreement to supply Atari with \$130.5 million of drives & subsystems over period of year, already has started deliveries. Agreement is subject to definitive purchase orders. Depending on quantities and shipment schedules, OEM drive price is generally in \$60-\$90 range, so order represents 1.4-2.2 million drives.

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NEW SETS FEATURE MT
is color direct-view & pr
elsewhere in this issue) h
built-in multichannel TV
13 MTS sets, including 1
MTS models all have upg
including "Stereo Blend"
loudness compensation,
variable audio outputs,
have keypad tuning.

Line starts with 1
at \$360, MTS version v
antenna switching is \$
non-MTS remote adds
stereo amp, MTS, has
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Mitsubishi's pro
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2-CHANNEL TV OPPOSED: FCC was urged last week by NAB, Council for UHF Bestrs. (CUB) and RCA to reconsider decision that 2-channel TV set that can pick up only Ch. 3 & 4 isn't receiver but monitor, therefore not subject to all-channel law. Sanyo had asked for waiver of all-channel rules to sell special set for attachment to VCRs, cable, etc. All-channel regulations prescribe that all TV sets marketed in U.S. must be capable of receiving all channels, in order to foster development of UHF.

In petition to FCC, RCA said 2-channel set would have "far-reaching adverse effects" on consumers, forcing buyers to forego such services as teletext and broadcast stereo. "The concept of a 2nd-class viewer is unprecedented in the long history of FCC regulation," RCA said, expressing view that Commission may not have realized impact of its decision. RCA worried about effect of action on "unsuspecting consumer" who might purchase 2-channel set, then discontinue cable service and "find himself or herself the proud owner of a 2-channel device unable to receive off-the-air broadcasts."

NAB called FCC decision "faulty," stated flatly that "the Sanyo product simply is a receiver, not a tunerless monitor," noting that Commission's order on subject repeatedly referred to set as "receiver" and stated that it's subject to FCC's own TV receiver standards, while a monitor wouldn't be subject to them. NAB said production of such set would be injurious to UHF and LPTV which aren't carried on cable.

NAB also charged that FCC, in issuing order without rulemaking notice, violated Administrative Procedure Act, broke own rules in dismissing Sanyo petition "without authority." CUB agreed that ruling would hurt UHF stations not carried by cable, urged Commission, if it's unwilling to reconsider decision itself, "at least to reconsider that portion of its decision holding that no waiver of the all-channel regulations is required to permit Sanyo to market its receiver" and instead give Sanyo the waiver it requested. CUB argued that classifying 2-channel set as monitor establishes precedent, undermines all-channel law.

Coin-op game slump and substantial reduction in royalties from home versions resulted in \$4.02 million loss for Williams Electronics on \$62 million sales in first 9 months of fiscal 1984. Because of "general lack of market acceptance" of optical disc-based games, including company's Star Rider, Williams had to set aside \$5.5 million for inventory adjustments and other costs & expenses in 3 quarters ending June 30. In same 1983 period, Williams had net income of \$11.53 million on \$87.35 million sales.

Captioned ABC network programs will be made available to hearing-impaired guests at all Hyatt Hotels this year. Hyatt says it will use decoders sourced from Spectradyn of Dallas, offer ABC shows with & without captions on separate channels.

3M VIDEO FORECAST: Six-year forecast by 3M Magnetic Audio/Video Products Mktg. Dir. Robert Burnett envisions 65% increase in VCR sales this year, 18% next year, followed by leveling off at 8-million annual plateau. In same period, blank videocassette sales are expected to more than double from 109.1 million this year to 235.6 million in 1989 when VCRs will be in 48.4% of U.S. homes. Burnett said penetration should exceed 50% in 1990.

Assuming \$7.50 average retail price, blank videocassettes will be \$1 billion market next year, Burnett said, rising to \$1.75 billion in 1989. Here are Burnett's forecasts (add 000 to VCR sales, 000,000 to cassette sales):

	1984	1985	1986	1987	1988	1989
Total sales..	6,750	7,960	8,000	8,050	8,100	8,200
% Increase...	65%	18%	0.5%	0.6%	0.6%	1.2%
Sales to homes	6,480	7,642	7,680	7,728	7,776	7,872
Cumulative...	13,526	20,245	26,892	33,519	39,965	46,095
Penetration..	15.6%	22.9%	29.8%	36.5%	42.7%	48.4%
Cass. sales..	109.1	146.3	177.1	189.5	210.7	235.6

3M released results of 1984 Gallup VCR Owners Survey showing Scotch tape as leader in brand awareness (41.9%) and most recent purchases (16.5%), same position reached in latest Nielsen Home Video Index report (TVD May 7 p20). TDK was No. 2 in purchases (13.7%), followed by Memorex (10.9%), Sony (10%), Maxell (6.3%) & Fuji (6.1%); all were in 22-33% awareness range. Proprietary Gallup study, based on Nov.-Dec. 1983 field work, was released to clients in Jan. Gallup has been doing studies since 1976, regularly interviews 500-600 VCR owners, charges 10-12 customers \$12,000-\$17,000, depending on depth of detail.

Survey of Video 45 music cassette purchasers by Sony Video Software Operations indicates strong acceptance, according to Dir. John O'Donnell. About 85% of first 300 said they found music tapes good or acceptable and would buy another 15-min. program. O'Donnell said total of 850 of possible 1,000 questionnaires were returned, respondents getting free T-120 or L-500 blank cassette if they answered within 10 days. Other preliminary results indicate programs are played 10-20 times each, often through stereo units only, without accompanying pictures. Beta Hi-Fi is becoming more important, said O'Donnell, who hopes to release full data at Video Software Dealers Assn. meeting in Las Vegas this week. O'Donnell said Sony tape sales are "still well ahead of budget" for year, VHS accounting for 65-70% of sales of most titles.

Secondary videocassette brands, bolstered by entry into field of such new big forces as Kodak, Polaroid and Korea's Sunkyong, will more than double their market share this year, account for 17% of unit sales, up from about 7% in 1983, according to Yankee Group. It predicts TDK will continue as best-selling brand this year, capturing 18% of market, followed by 3M with 16%, Maxell & Memorex with 15% each, Fuji at 9%.

AUGUST 27, 1984
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GERMANY'S 'CES': Duesseldorf HiFiVideo Fair last week was largely rerun of last year's Berlin show -- VHS Video Movie everywhere and 8mm virtually invisible (TVD Sept 5 p11). All of Thomson brands plus ITT displayed VM, promised in 2 months at about \$1,300, while only Sanyo officially displayed 8mm -- same miniature deck shown at CES, nonoperating, in glass case.

There was one operating 8mm camcorder at show -- test sample of Kodavision, carried by American free-lance journalist Bob Angus, who became walking exhibit, eclipsing in interest many formal displays. Kodak didn't exhibit, will make European splash at next month's Photokina in Cologne.

Grundig, Philips & Blaupunkt introduced identical Matsushita-made VHS portables, filling hole in their lines. V2000 format was very much in evidence. Philips & Grundig showed developmental version with PCM digital audio, sacrificing unused cue track on tape, and both said they would introduce models next year using same IC developed for PCM sound in 8mm.

Digital audio on V2000 was compressed drastically, using 2-to-1 companding. They said VCR could be 48-hour digital recorder (without video), using whole tape width for 6-track stereo recording.

Major innovations spotlighted at previous European shows seemed to have been forgotten at this one. Enthusiasm for stereo TV sound, which dominated 1981 Berlin show (TVD Sept 7/81 p8), has virtually disappeared, and stereo TV sets were downplayed. DBS and cable TV, which have been big attractions at previous German shows, seemed to be almost forgotten. Hot topic this year was "BTX" videotext, using IBM computers and telephone line, shown at most receiver exhibits.

In computers, Japan's MSX system was creeping in at some of exhibits, but, as at June CES, was nowhere near as prevalent as expected.

Mergers & acquisitions: Lorimar has agreed to acquire Karl Home Video for price in excess of \$3 million. Lorimar is expected to leave KHV intact, with Stuart Karl continuing as pres... Compusonics is selling undisclosed amount of treasury stock to Nissho Iwai American Corp. to raise working capital. NIAC gets option granting it exclusive rights to export to Japan or license Japanese production of Compusonics' consumer digital audio floppy disc and will be sole distributor of Compusonics professional digital recorders in Japan.

Color tube shadow-mask expansion by BMC (Buckbee-Mears) has been completed as 2nd line went into operation at Cortland, N.Y., eventually doubling U.S. output (TVD Aug 13 p12). Earlier dust problem in first line has been licked, company spokesman said, and yields are 85-90%. Plant is working on 4-shift 7-day basis, and output is completely booked.

ATARI SPEAKS: Atari last week broke 8 weeks of official silence -- that started when Jack Tramiel acquired operation from Warner -- to outline its product course. But statement was very much in line with those issued by competitor Commodore when Tramiel was in charge there in that it provided little detail.

In a nutshell, Atari, through Mktg. Vp James Copeland, said it would continue in videogame business, expand computer line with models containing high-speed 16-bit & 32-bit processors to be introduced at Winter CES in Las Vegas next Jan., and expected to be operating at profit by end of year.

Tramiel said: "With this bright new image and expanded product offerings, Atari Corp.'s first-year sales will exceed even the peak performance levels of my former [working] life" and be "a world leader by the end of 1985." Former life is obvious reference to Commodore, and peak was calendar 1983 sales of more than \$1 billion, achievement recorded just 2 weeks before Tramiel shocked industry by suddenly resigning from company he founded.

Atari's game involvement is expected to be limited to 2600 console, as company is understood to have dropped existing step-up 5200 and scrubbed plan for super 7800 game introduced at June CES, just before Tramiel's takeover (TVD June 11 p18). Atari's 800XL computer also is being continued, and there's possibility some of enhancement cards promised at CES will be introduced.

New computers appear designed to cut into Apple & IBM markets, will be priced much lower, Atari said without giving specifics. Company didn't say when computers would be on market or indicate whether they would be made by Atari or sourced from outside.

Zenith fall ad campaign will feature "Smart Sets" theme, stressing stereo & monitor features of color receivers, with other ads on VCRs, including Video Movie. More than 80% of budget will be spent on network & cable TV commercials. Cable ads will be increased more than 50%, with 243 commercials (vs. 114 on network TV), according to Sales & Mktg. Exec. Vp Gerald McCarthy, who said cable subscribers generally are younger, more upscale and "more likely... to purchase a VCR and/or a more full-featured color TV set." Zenith "his & hers" promotion running through Sept. 23 gives purchasers of any 19" or 25" remote sets extra handheld remote transmitter free... Sharp announced fall-winter ad budget for consumer & industrial products will exceed \$20 million, nearly tenfold increase from last year, with heavy use of network TV for video products, microwave ovens and copiers, including "one of the biggest campaigns ever mounted for consumer electronics products."

Portable projection TV system for industrial use, Vidimagie, will be introduced by Sony this week in N.Y.

Vol. 24, No. 36
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CES WOOS VSDA EXHIBITORS: EIA's Consumer Electronics Group is doing what it can to smooth home video feathers ruffled at June CES in Chicago. Software exhibitors were outraged -- they said -- by placement in tent, alternately hot & windy. EIA CES Vp Dennis Corcoran admits goof, said circulating fans were never installed properly, went to Video Software Dealers Assn. in Las Vegas last month to "let them yell at me -- some did."

Main purpose of VSDA trip was to convince programming independents & distributors that "we really do care about them," sign as many as possible for Jan. 5-8 Winter CES in Las Vegas. Corcoran said he has given up on studios, but thinks as many as 60 of others, including porn suppliers, will take space. Latter will have entire ballroom at Sahara Hotel, with all others where they were 2 years ago, East Hall of main Convention Center.

In place of Hollywood majors, Corcoran hopes to land distributors, who have never been courted as CES exhibitors in any category. Only Ingram Video and Sound Video Unlimited have had booths at recent shows. Corcoran acknowledges that "there definitely have been some dropouts," nonetheless claims he's received applications from about 40 exhibitors while at VSDA, among them Karl Home Video, most vocal critic of Chicago show.

Names couldn't be processed in time to appear on Aug. 31 list of scheduled exhibitors for upcoming WCES. Except for Thorn EMI Video and K-tel Video, list doesn't offer much -- no distributors are present, and most of other 10-12 program suppliers are porn specialists. List does supply probable final chapter in blank videocassette who's-in who's-out of CES story. Fuji apparently is only tape major to follow 3M as dropout, while traditional nonexhibitor, Tandy's Memorex tape marketing subsidiary Memtek, is in, along with Maxell & TDK, which will be showing in sound rooms instead of main exhibit area.

Sony Tape will be on hand but not Sony Consumer Products. Also missing is Magnavox. RCA Consumer Electronics is listed as exhibitor. We're told that's tentative, and if RCA does show it will be sound room display of new Dimensia integrated video-audio system. EIA says 1,200 companies have signed up for 750,000 net sq. ft. of space, same as last Jan. By show time it expects to have 1,400 exhibitors filling 800,000 sq. ft.

Nielsen Video Service, tracking retail video software sales, rentals & market shares, has started 6-month 30-store test to prepare for national launch planned for Oct. 1985. Among start-up subscribers, who have signed letters of intent to enter 3-year contracts: CBS/Fox, Disney, HBO, Karl, MGM/UA, Paramount, RCA/Columbia, Thorn EMI and Warner and tape manufacturers TDK and 3M. First NVS report is due in Nov. Also due in Nov. are results of latest Nielsen Home Video Index survey of consumer VCR owners. Reports should appear quarterly from now on.

SEPTEMBER 10, 1984

ATARI CASH CRUNCH: Atari is caught in financial squeeze between hard-to-collect receivables and creditors, both inherited in July when home computer & game operation was acquired from Warner Communications by Commodore founder Jack Tramiel.

Atari & Warner are acknowledged to be negotiating resolution of receivables issue. Along with other assets, new Atari picked up about \$300 million in past-due accounts, many of which are turning out to be uncollectable. Good portion is snarled in counterclaims by distributors who were terminated at end of last year. Other distributors are holding back payments because they plan to drop line or feel they'll soon be dropped by Atari. In other cases, major dealers & distributors say they worked out settlements with previous management. Meanwhile, Atari recently terminated all independent sales reps.

Atari also is becoming legal target of creditors who were left hanging by Tramiel takeover, now aren't sure whom to collect from. Suit seeking \$2 million in compensation and at least \$15 million in punitive damages was filed against both Atari and Warner's retained coin-op unit Atari Games by Synapse Software. Similar suits have been filed by disc distributor GBS Enterprises and Quality Software, and others are understood to be in works; Softweaver Pres. Howard Pearlmuter has been named to head group organized to coordinate collection efforts by Atari creditors.

Atari is in process of building new distribution network and developing broad line of home & personal computers it expects to unveil at Winter CES in Las Vegas (TVD Sept 3 p14). Suits and receivables issue could give current creditors some 2nd thoughts, force Atari to scale back plans.

Coleco eased tight cash situation with private sale of \$13.5 million in 5-year 11% convertible debentures to group of institutional investors. As part of deal, it agreed to recall and reissue at 11% \$41.5 million of 10% debentures it sold to same group earlier this year. Conversion price of all new debentures was set at \$13.75, against \$14.25 & \$15 on earlier issue. If debenture holders fully converted they would own about 20% of Coleco shares outstanding.

Acton Industries has thrown in towel on computer software. Company, which recently wrote off \$4 million investment in defunct distributor SKU, now says it will write off \$2 million investment and dispose of interest in Human Engineered Software. In another sign of tough times in computerware, Denver-based Target stores are unloading selected cartridges for Commodore Vic 20 computer at 5¢ each. Model has been essentially dead since last year when price of Commodore's model 64 dropped below \$200, and is expected to be officially killed off later this year or in early 1985 when company introduces new low-end 16K console to retail at less than \$100.

SEPTEMBER 10, 1984
PROBES GOLD STAR: Int'l Commission voted 5-0 to accept...
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Konica starts de...
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SONY STRIKES BACK: "Sony is taking the gloves off," said Senior Sales Vp Ed Adis in 14-city teleconference announcing company's fall ad plans to dealers & distributors. Betamax campaign, which started last Fri. (Sept. 21), is keyed to surveys that showed "Sony Betamax records a sharper picture than VHS."

Sony introduced new Watchman with 4" flat tube (TYD Sept 17 p15) and video input, which lists at \$200, while 2" version will be reduced to about \$150 street price. Autofocus Betamax also is being shipped, and car CD stereo player with AM-FM, still unpriced, will be shipped starting in Oct. or Nov.

TV & print ads will use "sharper picture" theme, mentioning VHS prominently. Commercial shows large group of VHS recorders, informs viewers that "throughout the country, more people said the picture was sharper with Sony Betamax than VHS." Sony Consumer Products Pres. Neil Vander Dussen said that national consumer survey "revealed that more people saw a sharper picture on Betamax VCRs than on 14 top-selling VHS" recorders.

Vander Dussen declined to reveal details of survey, which presumably was conducted among consumers at shopping malls, but said Sony has proof it will reveal when it is challenged. He noted that networks already had seen proof, accepted ads.

Another facet of Beta vs. VHS campaign is software, capitalizing on VHS Hi-Fi's slow start. "Beta has hundreds of hi-fi movies VHS doesn't have," is one claim. "Beta Hi-Fi has over 700 more movies than VHS Hi-Fi." Sony said it would add 80 Video 45 titles to current 65.

Sony's biggest ad campaign, said by Vander Dussen to be budgeted 25-50% above previous drives, also will feature use of Trinitron tubes in aircraft instrumentation and spots on MTV plugging CD contest giving away \$100,000 worth of audio equipment. One promotion is "stadium survival kit" giveaway with purchase of 2" Watchman -- pouch with thermos and space for Watchman.

In informal conversation following teleconference, Vander Dussen invited other Beta brands to join in "sharper picture" promotion. He said Beta has had market share as high as 40% some months this year, put its share at 25-30% this year, with 5.5-6 million in use by year's end out of total 15 million VCRs in place.

Vander Dussen forecast continued strong business through Christmas, but saw slowdown early in 1985 because of "high interest rates, consumer uncertainty, tough government decisions no matter who wins the election." Next year as whole will see "reasonable" sales, but without 1984's rates of increase. He predicted 1984 color TV sales at 15.8-16 million, rising next year to "16.5 million or so." He put 1984 VCR sales at 7.5-8 million, with next year's growth "not so dramatic."

Quasar's ad drive will be geared to innovation, feature heavy TV & magazine use, plugging color TV, VCRs, microwave ovens, CD disc players, use new slogan "Out of Our Minds, Into Your Hands." Special "Fall Values" promotion will feature reduced prices on selected items.

Latest video franchise effort is for do-it-yourself 1/2" videotape editing centers. Video Workshop Franchises, Ft. Lauderdale, has been running pilot operation for year, claims to have signed 3 franchisees, expects to add 50 next year. Centers are supposed to generate about \$200,000-\$250,000 a year from about 700 sq. ft. devoted to tape duplication, film-to-tape transfers, titling, voice recording, etc. Customers pay \$12.50 an hour for use of cubicles housing equipment. "We're renting rooms," said VWF executive David Bawarsky, who told us VHS-Beta ratio is 4-1. Bawarsky estimates that small businesses account for 65% of current revenues, but sees greater potential in consumer duplication. Centers are supposed to screen out material that appears copyrighted, have users sign forms emphasizing penalties for illegal duplication. However, VWF's biggest safeguard against difficulties, he told us, is that "we don't push any buttons." Those eager but inexperienced can learn techniques via 2-hour lesson, using interactive training tape, which costs \$25. More than 200 have taken course at pilot location, which has averaged 11% sales growth every month since Dec. 1983, according to Bawarsky. VWF estimates startup cost at \$90,000-\$95,000 and improvements to physical space at \$10,000-\$20,000. It charges franchisees 7% of sales plus 2% for co-op ads.

Canada's NABU Network is on rocks, put most of staff on dismissal notice, and unless it comes up with financing in 2 months it may follow into oblivion others who tried home electronic delivery of computer & game programs. (Details are in Broadcast section of this issue). Earlier this year CATV-based game feeder Playable shut down and Control Data closed similar phone-fed service. Games Network, CATV-linked service in Cal., is in suspended animation while it seeks financing. There's no sign of life in ventures planned by AT&T with Coleco and by Activision with Atari. Bellsouth, which was to have started test last summer of service using Control Data computer & software, says effort is still in preliminary stage.

New editions: 1985 ITA International Source Directory listing products & services of 450 member companies is available free in U.S., Canada & Mexico, for \$4.50 elsewhere, from ITA, 10 Columbus Circle, N.Y.C. 10019... 1985 Video Source Book, 1,900-page guide to 40,000 titles of all types available on tape & disc, including directory of distributors, is \$140 including postage. Excerpted Video Tape & Disc Guide to Home Entertainment, with 5,500 titles, is \$15.95. Both from National Video Clearinghouse, 100 Lafayette Dr., Syosset, N.Y. 11701.

CHRISTMAS CATALOGS: Large-format 50-page Christmas catalog of American Express features more electronic products than any other category, while Sears, Penney & Ward yule books offer reduced prices on regular merchandise but few new items.

Amex catalog has wide assortment of TVs, from 2" Sony Watchman to 45" Mitsubishi projection, generally at or around list prices. Other TV brands are GE, RCA, Sampo, Sharp, Toshiba. Portable & home VCRs are from GE, JVC, Pentax & Toshiba. Audio equipment is from Fisher, Kenmore, Magnavox, Marantz, Randix, Sansui, Sharp, Technics, Toshiba, Yorx.

Sears holiday book has lowest catalog price yet for VCR -- \$299 for top-loading Beta model, with top-loading VHS with 9-day timer, 9-function wired remote at \$390 (down \$110 from special camera catalog), front-load VHS with similar features but wireless remote \$440 (down \$150), portable with 6-program timer, wireless remote \$790 (down \$150), miniature autofocus camera with 6:1 zoom f1.2 lens, Saticon tube, \$690 (down \$100), shoulder mounted camera with stopwatch, f1.4 lens, fade, \$790 (down \$100). Featured for first time in a Sears general catalog is VHS Video Movie at \$1,600. Also new is telecine converter at \$50.

Sears color TVs: 5" AC-DC \$270; 13" leader at \$215 (down \$75), ladder tuned remote \$290 (down \$50), monitor receiver with RGB input \$340; 19" 112-channel with keypad tuning is \$340 (down \$100), similar set with SAP \$400 (down \$60), scan remote \$390 (down \$100), keypad remote monitor receiver \$590 (down \$100); 25" swivel console is \$540; 2 remote-ready consoles \$570, remote versions \$620 (all down \$110), double-sided consoles with channel blockout, sleep timer \$680 (down \$120), 140-channel double-sided consoles with stereo adaptor jack \$880 (down \$100); one-piece 50" front projection set with keypad remote \$1,580 (down \$400). Monochrome sets are 5" with AM-FM stereo (with headset) \$98; 12" at \$75 (down \$43), 12" with computer input \$98.

New Commodore computers in Sears book are model 16, upgraded replacement for discontinued Vic 20 with 16K memory, built-in basic at \$100 and Plus 4 at 64K, with built-in basic, word processor, spreadsheet, file management & graphics programs, lists at \$300. Videogame consoles include Atari 2600 at \$45, Coleco's Gemini version of 2600 at \$60, Atari's discontinued 5200 at \$80 (down \$70 from spring price), Colecovision with 2 cartridges at \$110 (down \$20). Making apparent final appearance is discontinued Magnavox Odyssey with 4 cartridges at \$50 (down \$17), and voice module adaptor with 3 cartridges at \$40 (down \$30). Odyssey cartridges, formerly \$20-\$45 each, are \$6-\$13.

Montgomery Ward holiday catalog prominently features brandname video products -- GE, Magnavox, Panasonic, RCA, Sanyo, Sony. Sony Beta VCR with wired remote is \$370 (down \$130), as is Ward's own brand VHS with same features. Ward VHS with 105

channels, 5-event timer, 14-function wireless remote is \$450 (down \$150). Sanyo 8-event 3-head Beta with wireless remote is \$470 (down \$60), RCA VHS Hi-Fi portable VHS ensemble is \$650 (down \$100). GE 4-head 8-event version \$1,000 (down \$100), docking palm-held camera \$500 (down \$150), high-end character generator autofocus camera with 8:1 zoom, \$900 (down \$100).

In TV, Ward's 13" color leader is \$189, ladder tuned version \$200 (down \$50), RCA scan tuning model \$230, Magnavox monitor receiver with keypad remote \$280, RCA & Panasonic keypad remotes, each \$350. In 19" models, RCA Colortrak is \$300, Ward keypad model \$330, Panasonic ladder model \$340, Ward keypad remote \$390 (down \$50), Sony keypad \$500, high-end Sony with game jack, "HIT" button \$600.

Ward 25" models, all keypad remotes except as noted, start at \$480, dual antenna model with channel lockout at \$600 (down \$100). Consoles start with 2 include 2 RCA Colortraks at \$639, pair of double-sided Ward color averaging models at \$650, 2 Magnavox MTS adaptable models at \$700, Ward double-sided comb filter at \$750 (down \$150), topped by 26" Sony double-sided MTS adaptable console at \$1,050.

Ward also has Commodore Plus 4 at \$300, features 64 portable with built-in disc drive & 5" color display at \$900, continues regular 64 at \$220. Atari 800XL is \$230 when bought alone, drops to as low as \$150 when purchased with peripherals. Coleco Adam computer is \$650, complete with free software package and 4-year \$500 scholarship to qualified buyers; Adam add-on for Colecovision game console is \$530. Zenith 13" color monitor is \$300, green monochrome version is \$119. In videogames, Colecovision is \$100, Atari 2600 is \$60.

Penney starts VCRs at \$400 for front load VHS with 4-event timer (down \$250), with 4-head 2-event wireless remote model \$600 (down \$200), 8-event model \$900 (down \$290), Dolby stereo version \$1,000. Portable with tuner-timer is \$900, palm-held camera \$900 -- both together for \$1,400 (saving of \$400). Docking portable with 8-event timer is \$1,400, deluxe shoulder camera \$1,200, both units together \$2,000 (saving of \$600).

Penney color TV: 9" AC-DC at \$250 (down \$50); 13" keypad remote \$270 (down \$80), remote monitor receiver \$350 (down \$50); 19" leader \$280 (down \$70), scan remote \$350 (down \$100), keypad remote monitor receiver \$400 (down \$250); 25" keypad remote table model \$600 (down \$100), monitor receiver with simulated stereo \$800 (down \$100); scan remote console \$600 (down \$100), swivel keypad remote console \$700 (down \$150). Monochrome sets are 5" AC-DC with AM-FM at \$90

(cont.)

OCTOBER 1, 1984

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AC-DC \$69 (down \$40), 12" on computers or videogames

North American Philips built-in multichannel TV sou dominantly, adding those intro June 4 p20) to last week's ex in Sylvania, 6 introduced las Lowest priced of newly intr Sylvania 19" at \$550.

Magnavox 17-set fall i models to former 12, to tot color TV introductions star two 19" sets at \$399 & \$41 remote non-MTS set \$549, 7-watt stereo amplifier at \$689, with Star system start at \$579 with 2 stepu \$879, topped by one Star s amplifier at \$1,100, three

Also introduced were monochrome computer m horizontal resolution, to dealers, at \$149 & \$159.

Sylvania introduced of them with built-in m majority of remaining o consoles introduced last versions at additional e nonremotes, \$930 for re with 7 watt per channe speakers, random acces now \$930, actual decre originally announced fo

Sylvania color add at \$380, \$430 & \$580. \$430, with remotes \$4 remote \$560, MTS Sup remote version \$630. model at \$550, 3 cons \$830, two at \$870, th \$870, two remote MT \$970, line being topp with 10 watts per ch features, 3 at \$1,215

Sylvania also int VCR with 8 events, players at \$450 and control.

Kodavision was International Bestg week, but in NTSC exposure to Kodavi this month, but Ko PAL version won't year. Kodak has s world markets nex

Consumer Electronics

OCTOBER 15, 1984

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 5th week of Sept. and 1984's first 9 months:

	SEPT.	1983	% CHANGE	SEPT.	9 MONTHS	9 MONTHS	% CHANGE
	22-28	WEEK		15-21	1984	1983	
TOTAL TV.....	673,269	659,774	+ 2.0	407,683	14,810,838	13,769,994	+ 7.6
TOTAL COLOR...	528,714**	481,593	+ 9.8	332,386	11,470,390*	9,755,087	+17.6
DIRECT-VIEW.	522,887**	477,651	+ 9.5	327,164	11,343,708*	9,662,758	+17.4
PROJECTION..	5,827**	3,942	+47.8	5,222*	126,682*	92,329	+37.2
MONOCHROME....	144,555	178,181	-18.9	75,297	3,339,948	4,014,907	-16.8
TV EXCL. PROJEC.	667,442	655,832	+ 1.8	402,461	14,683,656	13,677,665	+ 7.4
HOME VCR.....	294,410**	132,041	+123.0	163,646*	4,797,472#	2,656,971	+80.6
COLOR CAMERAS...	29,854**	8,292	+260.0	9,353*	332,542*	262,900	+26.5

Color TV (direct-view) 5-week moving average: 1984--350,732*; 1983--315,493 (up 11.2%).
Home VCR 5-week moving average: 1984--174,635**; 1983--91,267 (up 91.3%).

* Record for period. ** Highest week on record. # Exceeds full-year record.

SEPT.--BIGGEST SALES MONTH IN HISTORY: You name it -- color TV, VCR, projection TV -- Sept. was best month ever chronicled by EIA's statistics on sales to dealers (color cameras missed all-time record by fewer than 300 units). Final week of month (see State of the Industry) -- ditto: Color, first week ever with sales of more than half a million; VCR, 294,410, better than any full month before Dec. 1982; cameras, all-time high, up 260% and about same as all 4 weeks of April this year; projection TV, 16.8% above previous all-time record for single week, set in 1982.

Color direct-view sales of 1,753,658 in Sept. were 11.4% above previous highest month, Sept. 1983. Color's 9-month sales, at 11,343,708, were greater than those of any full year before 1982. Third-quarter sales exceeded 4 million for first time. But full-year rate of increase becomes much more difficult to maintain in year's last 4 months, and seasonally adjusted annual sales figure for Sept. comes out to just over 15.7 million, down from close to 17 million in Aug. In 3rd quarter, annual sales rate was 15,760,000 -- exactly same as in 2nd quarter -- and for first 3 quarters it came to just a hair over 16 million.

Final Sept. week usually is harbinger of 4th quarter in color. It's interesting fact that in 14 of last 18 years that week has turned out to be equivalent to 9-11% of the following quarter's sales (average of 10.4% for all 18 years). Using that rule of thumb, year's sales would come out between 16.1 and 17.15 million -- or applying average 10.4%, they would be 16.37 million.

Sept. sales of 873,175 VCRs compares with previous top of 601,797 units for any month last Dec. If pattern of preceding 5 years holds up -- Dec. sales almost 31% above those of Sept. -- Dec. will be first month with sales of more than million VCRs. Sept.'s annualized rate comes out to 7,653,000; 3rd-quarter sales of 1,886,559 translate to annual pace of 7,335,000, and 9-month results represent annualized 7,531,000 units.

Inventories of color TV at pipeline level (factory plus distributor) showed first sign of seasonal decline, dropping 0.2% during Sept. to 3,684,300 from all-time high of 3,692,900 at end of Aug. There were some reports of spotty cutbacks in color output. Color inventories total

for company to put together material needed to resolve one key area of dispute, to which would have to be added time for ITA to evaluate submission. So it would seem Gold Star and Daewoo, which didn't want extension, and Samsung, which did, all are disappointed to some degree.

Extension, however, wasn't opposed by group of unions that were original complainants in case. While they obviously have no desire to make life easier for Samsung, they told Commerce they wouldn't object to delay of up to 45 days because there are "a number of factual issues which would benefit from an extension of time." Resolution of those issues presumably could result in stronger case, or higher penalties, against Koreans.

EUROPE EYEING HIGHER ELECTRONICS DUTIES: Pressures on Japanese to increase VCR export production and exports by hiking sales in U.S. will rise next year if European Commission goes along with request by France's Thomson-Brandt (T-B) for higher duty rates.

T-B said it and other European manufacturers had joined in request for tariff increases for hi-fi equipment as well as VCRs because market hasn't been performing up to expectations. Request is apparent industry rejection of Japan's attempts to exercise voluntary export controls on exports of sensitive items to Europe. It recently instituted 10% cutback in 1984 quota for exports to Europe of VCRs, is likely to hold level down again next year. It also exercises guidance over shipments of color tubes and audio equipment to keep shipments at reasonable levels.

VCRs are becoming increasingly divisive issue in Japan-Europe trade relations. There, as in U.S., VCRs are most profitable segment of industry, and Japan's market domination becomes less bearable as Europeans develop own production capability. Most vocal in anti-Japan arena has been Philips, which earlier this year succeeded in getting Europe's tariff on imported digital audio CD players and discs doubled. More recently, Philips complained that as Japan's VCR export quota was based on anticipated industrywide sales, its 10% cutback was inadequate when market would be 40% below target.

Main beneficiaries of VCR duty hike would be Philips, affiliate Grundig and T-B. Grundig already is in full-scale integrated production of VHS VCRs and Philips has started producing some VHS transports on its own, expects to be self sufficient next year (see related story elsewhere in this issue). T-B, while partner through subsidiary Telefunken (along with JVC and Thorn EMI) in European video equipment manufacturing venture J2T Holdings, is developing own integrated VHS manufacturing capability in France.

Last week, T-B moved to consolidate control over Telefunken through management replacement following dispute over policy. It installed Group Exec. Bernard Gilliot as new CEO, succeeding Josef Stoffels, who resigned along with other 2 members of managing board. Telefunken had been left to run itself relatively independently since T-B, now 100% owner, acquired controlling interest in 1983. But more recently T-B has been trying to exert more direct control, and Telefunken managers have balked. Situation reportedly came to head when Telefunken officers rejected T-B proposal for change in accounting and profit transfer arrangements and resisted pressure for adoption of T-B chassis for its color TVs. There's concern among workers that although Telefunken returned to profitability last year, T-B's management takeover will result in job losses as production is coordinated with its other German subsidiaries, Dual, Nordmende and Saba.

COLECO CUTS ADAM PRICE BY \$200: In what many view as beginning of end for system -- but what company insists is push to increase share of unstable home computer market -- Coleco last week effectively trimmed wholesale price of its Adam by \$175 to \$475, enabling dealers to retail it at \$500, representing doubled rollback of \$100 increase imposed at start of year.

Coleco says it's leaving official wholesale price of system -- including computer with built-in tape drive, word processor and printer -- unchanged, is accomplishing reduction by offering free software and giving dealers privilege of selecting titles. Objective secondary to boosting hardware sales is to get more of 60-odd software programs -- including secondary to compatible with Colecovision game -- to dealer shelves.

Even so, program is being kept flexible, and dealers have alternative of getting \$175 in peripherals instead of software. Coleco this month started shipping disc drive and modem for Adam. If Adam sales take off, drive availability could get independent software suppliers more interested in putting out titles for system. Only current options are tapes and high-cost cartridges, and tape duplication being handled by Loranger has been chronically behind schedule.

Coleco said price cut would have no effect on current offer of 4-year \$500 college scholarship to qualified Adam buyers. Other major promotion, \$100 software package giveaway, has expired. Company said it had no comment on industry estimates that it will sell fewer than 300,000 Adams this year. It sold about 95,000 in 1983, said at start of year it had resolved all production problems and was geared to turn out 140,000 monthly. Meanwhile, officials insist Coleco has no intention of getting out of computer business.

Adam's prospects were viewed somewhat less brightly by software marketers attending best-of-year awards presentation hosted in N.Y. last week by Games magazine. Consensus of those we spoke with was that there was some market for Colecovision-Adam game cartridges, but when it came to true computer programs, dealers were interested only in stocking titles for Commodore 64. Atari apparently still hasn't gotten ball rolling, and as for Adam, "the only dealers I found handling it are those buying in so they can get [Coleco's] Cabbage Patch Kids dolls," one marketer told us.

While overall software market may be ailing, there still are some healthy areas. Epyx Pres. Michael Katz said company sold more than 90,000 copies of its Olympics-themed Summer Games for Commodore 64, and has just come out with versions for Atari and other computers. During short panel discussion, Katz said "games have once again come to the fore as the biggest category for computer software," reversing what had been trend to pure utility or educational programs. In keeping with that, Scholastic Software Pres. Richard Khaleel said company would be cutting back on new educational titles in 1985. Commodore Entertainment Software Dir. John Mathias said there was growing dealer concern over carrying excessive number of titles, indicated his company too would be putting out fewer new ones next year.

One possible answer to that problem could lie in double-sided dual-format approach being tried by Warner Software affiliate First Star Software. Disc for new game due next month, Spy vs. Spy at \$30, will have program designed to run on Atari computers on one side, for Commodore 64 on other, eliminating need for dealers to carry separate stocks for different formats. Upcoming is IBM-Apple version. Other marketers said they'll consider following First Star's lead if idea wins dealer acceptance.

Wafer tape strikes again next month, when Entrepo is slated to start selling \$80 Microwafer drive for its high-speed 1/4" tape cassette data storage and retrieval system for Commodore 64 and Vic 20 computers under Quick Cassette logo. Each cassette has 128K storage capacity, will feed data at 21K per sec. Two years ago, Entrepo had lined up Coleco and Texas Instruments as OEM customers for drives, but ran into quality problems. TI dropped out of home computers, and Coleco switched to different format. Last year, Coleco cited need to adapt Adam to new drive as one reason it failed to get its computer system to market on time. This time around, drives are being made in Hong Kong by BSR subsidiary Astec, and Entrepo is handling own marketing.

Researchers at Columbia U. are watching 15 hours daily of live Russian TV thanks to 11-ft. dish that follows movements of Molniya satellites. Dish is mounted on roof of campus building, tracks USSR's random orbit satellites. W. Averell Harriman Institute for Advanced Study of the Soviet Union is getting "remarkably sharp color pictures and clear sound," Columbia said. USSR uses modified SECAM color system, 625-line picture.

BASF has halted production of audio cassettes in Japan, will switch sales emphasis to videocassettes. Company said it has seen demand for its audio cassettes there drop 50% from peak of 500,000 per month. BASF has its cassettes assembled there by contractor.

OCTOBER 29, 1984

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FST IN EUROPE: Europ cranking up flat-faced tubes, with Philips plan

However, first Euro set, to be made by ITT, product just going into output will go first to about \$25 premium, follow Tube sizes in this report viewable diagonal, or "V

Philips, which has narrow-neck-tube approach plans for 1985-86, neck and integral yoke RCA. New "45 AX" far Philips tube plants in Britain. First size will to be followed by new 20" overall diagonal) and 20" 22mm neck versions, and

Thomson's Videoc producer, will use RCA types being FS (full square traditional curvature of by SP (square planar) t Videocolor will produce Europe.

Tour of Videocolor completely reconstruct employing 2,100, with million tubes, to be ex 1985. Investment in l with 1,100 employees and 2.4 million yokes, years. Glass comes fr of Germany.

East German col with assistance of To negotiations with RC end, with starting ca million annually. Fir 25". Samples of new Friedrich Engels brai Fair. E. Germany cu Union, Czechoslovak Germany (ITT).

Cal. has largest electronics and info of its cities are rank locations for such e American Electroni are in Cal. Leader followed by Santa C San Diego at 253, M non-Cal. location is next with 155, then with Irvine, Cal. an 124 each.

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CD ROM IS HERE: Manufacturers are losing no time in staking claims to new personal computer peripheral made possible by this year's standardization of data-carrying version of 4.75" Compact Disc, and there were forecasts last week that the 550-megabyte read-only systems could be widely available next year from computer companies, including "those with 3 initials."

Major announcement came jointly from North American Philips and 3M. NAP is supplying CD ROM mastering facility to 3M's Optical Recording Project in Menomonie, Wis. and is ready to take orders from OEMs for drive systems for quantity deliveries next year. Nippon Columbia also announced it will be offering CD ROM drives, and Sony and others are expected to come along soon.

CD ROM doesn't duplicate any existing peripherals in that it has tremendous storage capacity -- equal to up to 1,000 conventional floppy discs -- with extremely rapid access, but has no recording capability. Discs and drives are both relatively low-cost products, largely because of mass production generated by digital audio Compact Discs.

3M Optical Recording Project Mgr. David Davies speculated that system could replace computer documentation by putting detailed instruction book on disc with program, and in many cases replace telephone-accessed data bases: "Imagine sending a thin disc instead of 100,000 pages of text by Federal Express." He and NAP Vp John Messerschmitt also forecast possibility of combining some aspects of audio Compact Disc, digital pictures and diagrams and text on CD ROM, creating new categories of consumer products.

3M announced 100,000 sq. ft. expansion of optical media production facility to be completed next March, mainly for industrial and data recording systems, including larger (5.25") optical ROM, as well as DRAW (write-once) and E-DRAW (erasable) optical media.

Japan's Nakamachi, best known as high-end hi-fi marketer, last week in N.Y. gave first U.S. demonstration of its \$80,000 laser optical disc recording system. Developed under contract from KDD, Japanese telecommunications company that came up with own magneto-optic disc material last year, recorder is designed for use as test and reference device by disc developers. Nakamachi unit has variable power laser, making it usable with any read-only or erasable disc, and can record to digital audio CD standard. In Japan, both Sony, also under contract with KDD, and Hitachi are working on similar systems, while Sanyo has demonstrated prototype CD recorder.

Tandy's Radio Shack retail operation has moved into digital audio CD disc player market with \$400 model sourced from Hitachi. Hitachi's other U.S. CD player customer is RCA, which has remote control version as part of its recently introduced \$5,000 Dimensia video-audio component system.

KODAK GOES ELECTRONIC: In news conferences in 5 cities, Eastman Kodak last week announced major commitment to electronic media. First project is large-scale production and marketing of floppy discs via coating plant in Rochester and finishing and formatting facility in Guadalajara, Mex.

Company also will develop and sell disc drives. Until facilities are operating, Kodak will buy discs from outside sources as well as relying on current limited production of its subsidiary Spin Physics. Retail outlets will be served by company's Consumer Markets Div., medium and large corporations by Business Systems Mktg. Div. and computer trade by Spin Physics.

Kodak sees worldwide flexible disc market exceeding \$4 billion by 1990, more than double today's sales, and expects eventual large role by mass marketers, who sell less than 5% of discs today. Company plans to be producing high density magnetic discs within year, and to start producing other electronic media products such as optical discs in year or so.

Although Kodak stressed major commitment to magnetic media, plans don't include making magnetic tape. Consumer/Professional and Finishing Markets Planning Dir. Richard Lohrbach told us shrinking margins on tape make it "difficult" to realize profit.

Lohrbach said Kodak is still exploring possibility of entering 8mm software market, noting that 2-hour cassette is due next year. Kodak starts major print ad campaign for Kodavision camcorder system Oct. 30 with 2-page ad in Wall St. Journal, followed by ads in video hobby magazines and such upscale publications as Time, Newsweek, Money, National Geographic, Sports Illustrated.

Meanwhile, Polaroid is talking with Fuji as source of tape for its 8mm camcorder launch, scheduled on test-market basis before year's end.

MCA sued Warner Communications in Cal. state court alleging Warner owes \$17 million in royalties and fees for home video and computer game licenses. Rights to E.T. and 3 other MCA films were acquired by Warner on behalf of its game-computer subsidiary, Atari, sold earlier this year to Commodore founder Jack Tramiel. Similar suit by United Features Syndicate alleges Atari owes \$250,000 for rights it bought to Peanuts comic strip characters, while Audits & Surveys has gone to court seeking \$225,000 it claims Atari failed to pay for market research.

Battery Ventures is new \$34 million high-tech venture capital firm formed in Boston by local bankers, with Howard Anderson, founder of research organization Yankee Group, as general partner. BV will specialize in communication, information and automation systems companies. Among other investors: Aetna Life, Chemical Bank, Dow Chemical, Merrill Lynch, NYNEX, Sears.

COMMODORE BUYS AMIGA: Commodore said it completed previously announced acquisition of upscale computer producer Amiga for undisclosed amount (TVD Aug 20 p16).

Commodore's interest in Amiga centers on Apple-compatible low-cost 32-bit personal computer company developed and displayed privately at last Summer CES in Chicago. Unit has separate microprocessor for generating high-quality color graphics, freeing CPU for on-screen movement. Amiga has said unit would sell for less than \$1,000 and could easily be adapted to run IBM PC software.

Link with Amiga also had been sought by Atari, which filed \$100 million damage suit against Amiga after acquisition agreement with Commodore was announced. Suit is still pending. Prior to Atari-Commodore head Jack Tramiel's acquisition of Atari from Warner Communications, Atari gave Amiga \$500,000 to develop 3 graphics ICs. Amiga later returned cash, saying it couldn't come up with chips. Atari alleges Amiga did indeed use Atari funding to develop ICs, then fraudulently tried to sell them elsewhere. Commodore said suit would have no effect on its plan to introduce advanced personal computer next year based on Amiga design.

In other computer merger activity: VisiCorp said it plans stock-swap merger with Paladin Software, company launched last year by former VC employes. Details weren't announced, but Paladin will be surviving company and VC cofounders Chmn. Dan Flystra and Mktg. Vp Peter Jennings won't have operating responsibilities. VC, once among leading software marketers, hasn't had successful product since severing of licensing agreement with Software Arts, developer of VC's popular VisiCalc spread sheet program... Xidex, microfilm equipment producer, has agreed to acquire computer disc maker Dysan in stock-swap merger that would give current Dysan holders 40% of combined company. Price wasn't disclosed. Dysan earlier announced plan to terminate disc drive business at cost of \$20-\$40 million, said it will show significant loss in quarter ending Nov. 3.

Acquisition of Video Corp. of America by Technicolor parent MacAndrews & Forbes has received green light from Justice Dept., source close to VCA told us. Clearance was needed because both companies are majors in videocassette duplicating business. Still unresolved, however, is lawsuit filed by VCA shareholders unhappy with buyout price... Lorimar said it completed previously announced acquisition of home video software marketer Karl Video. It said KV will soon introduce line of feature-length children's programs Lorimar has been developing in cooperation with Scholastic Productions.

Korea's Hyundai has started production at \$40 million IC facility in Santa Clara, Cal. Plant employs 150, expected to rise to about 400 by end of next year. First output is of memory ICs for sale to U.S. small computer OEMs.

NOVEMBER 5, 1984

TV DUMPING DELAY: Commerce Dept.'s International Trade Administration last week gave Korean color TV makers expected 45-day extension of its Oct. 31 deadline for finalizing proposed higher color TV dumping margins (TVD Oct 29 p9).

Extension announcement was due Oct. 26, but agency held off so it would have chance to supply advance word to Sen. Percy (R-Ill.) and Rep. Rostenkowski (D-Ill.). Both had contacted Commerce to state their opposition to any unnecessary delays in case. As indicated here last week, postponement covered all Korean color companies in case, though of 3 directly involved only Samsung wanted delay. Gold Star actually opposed extension and Daewoo took no official position. ITA will send team to Korea again to verify any new information companies submit in support of claims for lower margins.

Congressional aides to Percy and Rostenkowski said there would be no reaction to extension. However, they said they'd keep in contact with ITA to check on progress and to make sure no additional delays are contemplated.

Knight-Ridder is trimming 41 from staff of Viewtron home videotex service in Fla., reducing full-time employment to 169. Company said move was part of cost-cutting effort. Viewtron is expected to show loss of less than \$17 million this year, and K-R hopes to reduce that in 1985. K-R said subscriber signup has been slower than expected but in recent weeks "has picked up markedly" and usage "in several key categories" of information services provided has "been growing month by month." Viewtron has about 2,800 subscribers, against first year target of 4,500. K-R said it will explore potential of delivering Viewtron to personal computers, so subscribers won't have to pay \$600 for terminal or rent one for \$40 a month. K-R said it also will look into development of specialized communications services for businesses.

Hitachi bought nonexclusive license to produce laser recorded and read Ovonic optical memory discs from Energy Conversion Devices. Matsushita and IBM are earlier licensees. Ovonic discs are coated with amorphous material which, when irradiated by laser, undergoes structural change that modifies reflective properties. They can hold 10 times as much information as comparably sized magnetic discs and, depending on nature of material used, can be erased and rerecorded. Though prime initial application is expected in computers, ECD says discs have low enough cost potential to be used in home video or computer disc recorders.

Plans to buy color TV sets in next 6 months were indicated by 7.5% of those surveyed in Oct. by Conference Board, up from 7% in Sept. but below the 8% of Oct. 1983. Survey showed 0.5% planned to buy b&w set, down from 0.7% in Sept. and 1% in Oct. 1984.

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VCR IMPACT 'NEGATIVE'
of commercials by VCR
according to NBC Res
preliminary Nielsen
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MORE COMPUTER SHIFTS: Prospects for another round of general computer price cuts, another sign Coleco is getting ready to abandon its Adam, and more layoffs hit home computer market last week.

First price cut in new series is due from Atari, which retailers say will be reducing 64K 800XL console wholesale tag to \$105 soon. Atari acknowledged "redirection in pricing and marketing strategy" is on way, insisted it's not an attempt to clear out inventory in preparation for launch of new models next year. Atari said plants in Ireland and Taiwan making 800XL's are running at capacity.

Shortly after Commodore founder Jack Tramiel took over Atari from Warner, price on 800XL was trimmed, reducing retail on street to \$180 from about \$230. New cut would reduce that by \$60-\$70. Commodore said it doesn't intend to respond by lowering price of its popular model 64, noted it didn't react to Coleco's recent \$200 reduction for Adam (TVD Oct 29 p11).

Atari also announced it's taking over hardware distribution in Canada, as it has in U.S. Former distributor Irwin Toy will retain exclusive marketing rights to Atari's game and computer software.

Coleco, meanwhile, terminated supply contract with its daisy wheel printer supplier, Japan's Chinon, and reportedly is in negotiations to settle outstanding contracts with other parts vendors. Coleco said it gave Chinon \$13 million, primarily as payment for products already received, and denied move was prelude to liquidating Adam.

Inclusion of low-cost letter quality printer is what makes Adam stand out from competition, but supply has always been something of problem for Coleco. It launched system using model it sourced from U.K., but reportedly ran into quality problems. It then began producing its own, and fact that it later had switched to Japanese supplier came as news to some in industry.

While Coleco was profitable in last 2 quarters and posted \$13.4 million net for first 9 months, company says losses from consumer electronics this year "might offset earnings" from profitable toy business. In 1983, it was in black for 9 months, ended up with \$7.4 million deficit for year after taking \$35 million loss on electronics in 4th quarter.

Floppy disc maker Verbatim said it was laying off 175 U.S. nonproduction workers to reduce costs; last Jan., company dismissed 300. While Verbatim tries to regain profitability, competition is heating up. Xidex Magnetics is launching promotion offering free \$40 game, Trivia Fever, to buyers of 10-disc own disc line. Polaroid is preparing national launch of distributors but won't break supporting ad campaign until early next year. Company is listing 5.25" single-sided discs at \$10.50 for 2, will offer \$7 disc holder for \$2 to purchasers of 10 discs.

CVC, NABU REVIVING: In somewhat modest boosts for concept of electronic home delivery of computer games and programs, Control Video Corp. said it's going back into business with 4-city test of new MasterLine phone-fed service, and U.S. arm of floundering CATV-linked NABU Network claims it has found needed new financing, will separate from Canadian parent and continue operations.

Though CVC is back in business, its planned partner, BellSouth, apparently has scrubbed plan to play along. Earlier this year, CVC discontinued GameLine service that supplied programs over phone to Atari 2600 videogame consoles equipped with special plug in module, and BellSouth said it had acquired exclusive nationwide sales and marketing rights. As detailed then, phone company was to sign up subscribers and supply modem for games that CVC would continue to supply from its head-end computer. BellSouth said it would run 6-month test starting in summer.

All that has been changed drastically, even basic purpose of service. MasterLine will be for computers -- Apple II and Commodore 64 only at start -- not game consoles, and is to function primarily as preview service. Subscribers, who at first will have to find out about MasterLine from computer retailers, will pay \$15-\$20 monthly for unlimited access to most of 20 available programs but will be able to run loaded program only once. Monthly magazine will describe offerings. Object is to get users to purchase titles they try. CVC says it has programs from 28 software houses.

Though startup announcement says BellSouth will distribute necessary modems, its actual involvement is limited to supplying them to CVC. Modems presumably were ordered by BellSouth for its own test that apparently it has decided to abandon. Subscribers will get modem free, but CVC will charge \$95 to those who cancel out and don't ship it back. Test is slated to start this month in Atlanta, Houston, L.A., Washington.

NABU, currently running test on cable system in Alexandria, Va. where it claims 5% penetration, or about 1,400 of 28,000 potential subscribers, said that it had reached spinoff agreement with parent and that U.S. cable companies "will play a major role" in its refinancing arrangement. Details "will be announced shortly," NABU said.

As independent operation, new NABU will have exclusive U.S. consumer license to Canadian firm's high-speed digital broadcast technology and rights to sublicense technology for consumer and nonconsumer applications. NABU said it still intends to expand service in U.S. next year and plans to introduce universal interface adaptor that will enable hookup to all personal computers. Meanwhile, NABU of Canada is continuing search for new financing (TVD Sept 24 p15).

historical data together with our own performance record to meet price and performance objectives. Where we don't meet this, something has to change."

Asked about complaint that RCA's price cuts often reach up into middle of line, Stepnes said: "There are times when, based on the going rate, we move on several different categories at one time. If we're hung up on several models at once, putting these moves together gives the distributor maximum flexibility. It's sometimes better to get the entire problem out of the way at once." Stepnes added that "people with the largest share have the most to lose by cutting prices." RCA maintains it wasn't buying share, noting that its share actually contracted in 2nd & 3rd quarters.

Sauter doesn't completely agree that VCR is subsidizing color. "Profitability of color is definitely below the level that would make it an interesting investment if somebody came in new. But there are other benefits -- VCR has enhanced profitability of all manufacturers who are significantly involved in both VCR and color. We are not happy with the pricing levels color is generating." He indicated that it's against RCA's policy to make preemptive price strikes: "We don't see a competitive threat before it happens." Stepnes agreed: "We won't chase share at any price. The extent we participate is dictated by many factors" as industry changes. Industry's tough competition isn't for the weak -- and, as Stepnes put it, "there are no fringe companies in this business, only fringe brands."

Sauter indicated sharp changes are coming in color TV business. He said acceleration of offshore penetration builds up total sales and changes mix as well as decreasing market share of existing companies. He cited introduction of 20-in. set as "a way to separate ourselves from the clutter of 19-in. product." Classic example of adaptation to changing market conditions is growth of 25-in. table model. "We tried but couldn't get a higher share of 19-in., so we went with the idea of a 25-in. in the size of a 19 so attractive it would step people up," and others followed, creating new market. But most segments of lines are vulnerable, and "anyone who thinks there's shelter in any one segment of the business is deluding himself."

Sauter denied that RCA has vastly increased its direct-sale business. He said only large national accounts are sold direct; sales to buying groups are "semidirect" with participation of distributors. He added, however: "I think there is going to be a change in some of the ways 2-step distribution operates. I believe the advantage of 2-step can be adjusted to meet changes at retail for the benefit of all concerned." He declined to elaborate but pointed out that "distributors are valuable for local know-how, product availability and implementing promotions. We need brands with strong, disciplined dealer networks."

Inventories currently are "higher than we'd be happy with," said Sauter, although sales rate continues "quite strong, but we don't know how well inventories are balanced among manufacturers." As for this year, he thinks "industry will have to struggle to get 16 million" set sales if current trends continue. "Sales are above what we planned" in early part of year "but down from what we thought they could have been" last spring.

EIA and NCTA will conduct consumer information campaign on "cable-ready" TV sets, it was decided at meeting of staff members of both groups and executives of cable and TV set industries. Working group was formed to prepare publication to help consumers better understand relationship between new generation of TV sets and reception of cable programming. Agreement came out of meeting called to defuse dispute between TV set and cable industries over cable compatible sets (TVD Oct 22 p19, Oct 29 p13).

Jensen introduces high-end VHS Hi-Fi VCR with longitudinal as well as hi-fi stereo, 8 speeds plus search, complete wireless remote at \$1,399.

NABU Network apparently will fold due to decision by former Canadian parent to withhold license for high-speed digital broadcast technology. Development contradicts agreement reached recently (TVD Nov 12 p15) whereby NABU U.S. would be split off and would have exclusive U.S. use of technology. For details, see story in Broadcast-Cable section of this issue.

Revolutionary loudspeaker will be introduced Dec. 1 by Bose in \$649 portable stereo. Nondirectional woofer uses organ-pipe principal, consists of tiny plastic pipe 80" long with speaker 20" from end, folded and snaked into cabinet; midrange and high speakers are conventional.

ATARI GOING PUBLIC: Jack Tramiel moved to dispel any doubts over his long-term commitment to survival of Atari home computer and videogame business last week at news conference where he announced plan to raise \$150 million over next 18 months through public and private stock sales. Tramiel, in first open appearance since he acquired Atari operation from Warner last summer, indicated company would make private placement first, followed by pair of public offerings.

Funds generated would be used for working capital, plant modernization and possibly acquisitions, it was indicated. Purchase of all or part of semiconductor firm is believed to be top priority. When he headed Commodore, Tramiel was quick to recognize he wouldn't be able to compete in calculator, watch or computer markets against end-product makers such as Texas Instruments, which also produced own ICs. In his years, Commodore developed IC design and production capability that made it leader and profitable survivor in home computer market.

Tramiel said \$60 price cut on 800XL computer (TVD Nov 12 p15) stemmed from cost reductions, wasn't attempt to raise quick cash, stressed model isn't going to be discontinued. Atari reportedly is turning out 150,000 800XLs monthly in Taiwan, up from 20,000 when Tramiel took over, and will have capacity for 500,000 monthly next June. Atari says it will have shipped 500,000 in June-Dec. period.

Revamped Atari will bring "new life, new excitement" to computer business that "was becoming very dull" because there have been no price reductions or technical improvements, Tramiel said. He repeated prediction Atari will be operating profitably by year's end, said it wasn't suffering cash squeeze, though company acknowledged it has been able to recover only about \$50 million of some \$300 million in receivables on books at time of acquisition.

Atari will continue to be consumer company, won't be chasing Apple and IBM for business customers. Tramiel said upcoming advanced computers due next year will be priced at under \$1,000 and offered through mass merchandisers. Also, Atari will continue marketing programs for other systems through its Atarisoft operation.

Atari went public in another way last week, with first corporate ads. Full-page ads in national newspapers promoted 800XL at new \$120 suggested retail, said system including joysticks, cassette recorder, letter quality printer and word processing cartridge can now be bought for less than \$500. Ad has special advice for consumers: "Some stores may sell for less, so comparison shop."

Commodore, Atari's main competitor, has said it won't match price cut, but it didn't make any promises about special promotion. It's now breaking ads offering 2 free software programs, selectable

from list of 50, to buyers of model 64 computers. Ads say offer is worth about \$40.

In U.K. meanwhile, Sinclair is considering another shot at U.S. computer market and Applied Computer Techniques is lining up investors for Apricot Inc., \$20 million marketing venture for established here. Sinclair, effectively out of U.S. market since last spring when its distributor Timex left business, plans to begin marketing its \$500 QL home computer by mail order late next year, and has earmarked \$2.5 million for ad effort. Sinclair's past production problems with QL apparently have been solved, and it now ranks 2nd to Commodore in sales in U.K.

ACT says it has signed up group of former Apple reps to market line, expects to have 250 dealers when sale here in Jan. ACT is following in steps of another U.K. firm, Acorn, which has spent about year in unsuccessful attempt to crack U.S. school market. Recently, Acorn tried but failed to negotiate sales agreement with Apple rep group now allied with ACT, currently is working on new marketing plan.

New low in personal computer pricing is \$498 for Japan-made Royal system offered by Minneapolis liquidation specialist C.O.M.B. Price includes 64K console, 320K disc drive, 12" monochrome monitor plus Peachtree word processing, spread sheet and graphics software.

KODAK REORGANIZES: Eastman Kodak will establish Consumer Electronics Business Unit under sweeping realignment of its current Photographic Div. along worldwide product lines. New unit at start will handle Kodavision products and consumer videocassettes, will be headed by Gen. Mgr. Dan Carp, now sales mgr. of subsidiary Kodak Canada. Carp has wide marketing background.

Kodak's expanded production and marketing of computer discs will fall under Mass Memory Unit headed by Peter Giles, now gen. mgr. of a manufacturing unit.

Consumer Electronics Business Unit, expected to undergo expansion as Kodak increases presence in that field, will come under new Photographic Products Group, headed by Group Vp Wilbur Prezzano as gen. mgr. Other new general managers within new Photographic and Information Management Div. (PIND, formerly Photographic Div.), which accounts for 80% of company's total revenues, are Vp Lawrence Matteson, Commercial and Information Systems Group, and William Fohble, Diversified Technologies Group. Exec. Vp Phillip Samper continues as gen. mgr. of newly named PIND.

Group Vp Cornelius Murphy is gen. mgr. of worldwide mfg. and support operations, and Vp Frank Strong heads customer and mktg. support operations, both new units. Group Vp Richard Kleinhans continues as gen. mgr., mfg.-equipment.

NOVEMBER 19, 1984

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CELLULAR PHONE WOES: As if to back up its claim that unfairly low-priced imports from Japan are injuring domestic industry (TVD Nov 12 p15), Motorola last week said it will halt production of mobile cellular telephones at its Puerto Rico plant by month's end, lay off unspecified number of the 165 employees there. Meanwhile, Western Union says it may leave business by selling off E.F. Johnson, cellular phone and mobile equipment manufacturer it acquired 2 years ago for \$132 million in shares. Motorola is continuing phone production at its plant in Schaumburg, Ill.

Motorola and Johnson are co-complainants in dumping case. At recent International Trade Commission hearing, Motorola said that if dumping continues it may have to shut down domestic production. ITC is conducting probe into whether there's likelihood dumping has damaged U.S. industry, is to issue ruling Dec. 20. If finding is positive, ITA will investigate unfair pricing allegation.

WU, having financial problems on several fronts, says Johnson is losing about \$7 million monthly and may seek buyer for unit if losses can't be halted. As interim step, it has asked unions to accept 20% pay cut. Johnson was among marketers more seriously injured when CB market bubble burst in 1976 and was still recovering from that when WU took over.

Over last 2 years, Johnson has been hard hit by import competition in cellular field and filed successful antidumping case against Japanese pole-mounted cell site transceiver exporter Kokusai. ITC recently ruled 4-1 that transceiver dumping injured domestic industry, clearing way for Customs to start collecting penalty duties on imports since March 7. Last month, ITA said it found Kokusai's dumping margin was 59.9% of value (TVD Nov 5 p14).

But it was hollow victory for Johnson. Kokusai already has filled contract from its sole customer, AT&T, and AT&T has since started producing transceivers on its own, so it isn't giving any more orders to outside suppliers.

Games Network is still stalled in effort to launch west coast CATV-fed computer game service. Mik-Mar Investment Group, expected to come to rescue with \$4 million infusion, turned out to be fictitious company, according to GN Pres. Larry Dunlap. He said supposed Mik-Mar head Paul Marcelli gave check that bounced, later took off with GN company car. GN has closed office and Dunlap now has company calls referred to his home.

Sony's move into 8mm Video marketing next year may be through back door. Though company is generally expected to introduce own-brand 8mm Video camcorder in 1985, that may follow one by subsidiary Aiwa, reportedly ready to start selling Sony-made version at \$900-\$1,000 in 2nd quarter. Also supposedly on tap from Aiwa is 8mm home deck that can be used as digital audio recorder.

JAPAN-EC VCR SNAG: Japanese and European trade negotiators meeting in Tokyo last week stalemated on issue of setting 1985 quota for Japanese VCR exports.

Shipments of complete sets were pegged originally at 3.95 million for 1984, in expectation European market would absorb 6.35 million. Japanese assembly plants in EC were slated to turn out 1.1 million, with European producers (primarily Philips and Grundig) making 1.3 million. Japanese started cutting back on shipments in Sept. when it became evident market there was slowing, probably will end year with exports of about 3.6 million.

Japan appears willing to hold to that lower level next year, but EC officials are arguing that's not good enough. They say European 1985 market is likely to hold at this year's estimated 4.5 million, and want Japanese to agree to leave domestic producers with elbow room of more than 1.3 million. That's because 1985 will mark first full year of VHS production and sales by Philips and Grundig, and both expect significant market share improvement as result.

But that would mean at least 20% export cutback by Japanese, and with their stranglehold on U.S. market in jeopardy, that's more sacrifice than they're prepared to make. Koreans will start selling VHS VCRs here this spring. Gold Star and Samsung are eyeing exports of at least 800,000 each, including own brand and private label, and Daewoo, expected to make switch from Beta it sells at home to VHS for exports, should contribute 300,000 or so.

Industry forecasters currently are estimating U.S. 1985 VCR market at about 10 million, including new breed of camcorders. That represents only about 2.5 million overall rise, and Japanese factories will have tough time unloading much of their increased excess capacity here if Koreans are going to supply nearly 2 million.

N.Y. area war between discounters has gone to court. Local retailer Crazy Eddie has filed \$30 million suit in federal court charging Circuit City's TV ads for its Lafayette outlets are false, confusing and derogatory. CC, which picked up ailing Lafayette chain 2 years ago, has launched major promotion drive to reestablish Lafayette's presence in N.Y. metro market, challenging CE's strong position. Specifically target is Lafayette TV ad featuring frantic pitchman, similar to one in CE's ads, who in effect says shoppers get poor after-sale treatment from CE.

Commodore agreed to pay some \$25 million in cash and shares to acquire Amiga, its advanced home computer and its engineering staff (TVD Aug 20 p18), according to information in Commodore filing with SEC. Commodore says it already has paid \$5.3 million of \$12.8 million promised in cash, and turned over 356,700 of 550,000 pledged shares.

DECEMBER 14, 1984

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COMPUTERS IN AND OUT: Computer U.S. market launch U.K.'s Acorn has pulled out springing, another is on its

Out of running again in which had been scheduled this year under distribution broadcast producer Radofin Aquarius producer Radofin announced, but it's under financing. Radofin early arrangement with distributor reason. Aquarius was in Mattel last year shortly electronics business.

Coming in for first videogame and hand-held Nintendo. Company plans computer-game combo details this week. Nintendo system in Japan for 2 years \$60.

Last major new hardware Acorn, had rougher than education hardware market closing up shop here, 1 million. Company said \$250 monthly, or about undaunted, U.K.'s Sinclair (Apricot) are continuing 1985 launches here.

Hallmark last week name in software the children's program of Design Assoc. Price in with Hallmark's publisher Binney & stake of electronic

Coleco, meanwhile, that some industry indication company system and pull out former mktg. exec vp-toys, and his for computers and video Products Group V earlier this year viewed by some as profitable toy and operations, making electronics business

Meanwhile, be dumped. Intel that don't have them, are being Mattel name is cabinet, along with 1982. Games a

COMPUTERS IN AND OUT: One scheduled home computer U.S. market launch has been scrubbed, and U.K.'s Acorn has pulled out, but with hope eternally springing, another is on its way.

Out of running again is Aquarius computer, which had been scheduled to get its 2nd introduction this year under distribution agreement between broadcast equipment marketer Cezar Industries and Aquarius producer Radofin of Hong Kong (TVD April p20). That deal has fallen apart. Reasons weren't announced, but it's understood to have involved financing. Radofin earlier canceled similar arrangement with distributor Venture 100 for same reason. Aquarius was introduced, then dropped, by Mattel last year shortly before toy maker left electronics business.

Coming in for first time is Japanese coin-op videogame and hand-held LCD game maker Nintendo. Company plans to introduce computer-game combo at Winter CES, will announce details this week. Nintendo has been marketing system in Japan for 2 years. It sells there at around \$60.

Last major new home computer entrant, U.K.'s Acorn, had rougher than expected time cracking education hardware market, and is in process of closing up shop here, taking writeoff of about \$7 million. Company said its sales in U.S. ran only about \$250 monthly, or about 25% of target. Apparently undaunted, U.K.'s Sinclair and Applied Computer (Apricot) are continuing to plan for their scheduled 1985 launches here.

Hallmark last week moved to become newest big name in software through acquisition of 80% of children's program developer Information Technology Design Assoc. Price wasn't disclosed. Purchase ties in with Hallmark's purchase of interest in educational publisher Binney & Smith and plan to acquire 30% stake of electronic publisher SFN Cos.

Coleco, meanwhile, has made executive shift that some industry observers see as one more indication company is preparing to discontinue Adam system and pull out of home computers. Al Kahn, former mktg. exec. vp, was given new post as exec. vp-toys, and his former responsibility for marketing computers and videogames assigned to Computer Products Group Vp Charles Winterble, who joined earlier this year from Commodore. This is being viewed by some as move to separate Coleco's profitable toy and money-losing electronics operations, making it simpler to shut down or sell off electronics business.

Meanwhile, videogame consoles are continuing to be dumped. Intellivision II consoles, in new boxes that don't have name of former distributor Mattel on them, are being unloaded in N.Y. for \$30. However, Mattel name is molded into bottom of console cabinet, along with indication cabinets were made in 1982. Games are being marketed by Intellivision Inc.,

formed as subsidiary of liquidator Odd Lot Trading after Mattel dropped out.

SAMSUNG TV PLANT ROLLS: Color TV assembly plant that Korea's Samsung started running in Roxbury Township, N.J. at summer's end got official dedication last week, and inside look at lines indicates it's running without hitch and somewhat ahead of schedule.

Plant occupies 260,000 sq. ft., employs 150, with 100 in production, will represent \$25 million investment when completed. It's designed for 2 color assembly lines with total annual capacity of 800,000 sets. Still in startup phase, each line was putting out 550 sets daily last week, or 286,000 annual rate. All units produced while we were there were 19" mechanically tuned leaders, but some electronic tuned sets also have been turned out, and samples of both were in life-test room getting 5,000-hour workouts. Output is slated to jump to 520,000 rate by month's end, approach capacity this summer.

Operation is about as basic as any we've seen. There isn't a soldering gun in sight, and all connections are made with plug-in wiring. Except for tube, all parts -- including cabinets -- appeared to be imported from Korea. Line and most of automated equipment came from Japan. Parts are fed to stations by overhead conveyers and carts, and robot places tubes in cabinet fronts. Finished sets are turned on and move down line for an hour before cabinet backs are added. RCA currently is sole tube supplier, but we saw some from North American Philips under test.

One reason for ease of startup may be experience of Mfg. Vp Donald Harvey. He signed on from Sampo, where he was responsible for launch of that Taiwan manufacturer's plant in Atlanta.

At opening ceremonies, Korean Pres. Jae-un Chung said that microwave oven line, with 400,000 annual capacity, will start this summer, and that assembly of VHS VCRs will be added in 1986. Employment at plant, he said, will be increased to 400.

Plant isn't Samsung's only U.S. color TV source. It's having about 20,000 monthly assembled under contract by Harvey Industries, which runs former Curtis Mathes facility in Athens, Tex. But that supplemental output may not be necessary when company's own plant is running at capacity.

Plant isn't all that's new in way of expansion for Samsung. Next month it moves from current hq in Secaucus, N.J. to 200,000 sq. ft. office-warehouse complex in Saddlebrook, N.J.

Monitor receivers for industry and educational applications are being offered by RCA Service Co. in 19" and 25" sizes. Both are 127-channel sets, with wireless remote option on 25".

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TECHNICOLOR'S VIDEO MARKET: Film and video demands of MCA and Warner Communications account for approximately 54% of sales of Technicolor's Professional Services Group, according to preliminary prospectus for \$50 million of notes being issued by parent MacAndrews & Forbes to finance scheduled acquisition of Video Corp. of America.

M&F's Professional Services Group (PSG), which includes Technicolor Videocassette, had sales of \$184 million in 1983, was up 19.5% to \$109.2 million in first half this year. That indicates MCA and Warner spent nearly \$60 million — about \$29.5 million each — with Technicolor in Jan.-June this year. Of total, about \$42 million went for film processing, \$18 million for cassette duplication. Segments probably won't vary much in 2nd half, bringing 2-studio total in home video to about \$36 million. Embassy Home Entertainment, Technicolor's 3rd cassette customer, should bring in another \$4 million.

Technicolor's duplication business depends on film processing customers, and company has recently begun handling assignment for studios that had gone elsewhere in past. Company's other route for future profits might be investment in movie production. Prospectus notes \$6 million letter of credit extended by Technicolor in Aug. to new venture called Embassy Film Assoc., said limited partnership already has drawn down \$4.7 million.

Purchase of VCA, with its own duplication arm and half-interest in duplication venture with Sony, S/T Videocassette, is easiest way for M&F to increase Technicolor's share of duplication market, currently estimated at 18-20%. Current VCR customers, who presumably will now move into M&F fold, include MGM/UA, Vestron, Disney, Karl Home Video and Sony. Home video, including Vidamerica catalog sold through Vestron, accounted for \$17.7 million of VCA's fiscal 1984 sales of \$34 million, up from \$7.4 million of \$22.7 million total in 1983 and \$4.8 million of \$17.1 million in 1982.

Not included in duplicating revenues are blank tapes offered at cost to customers; their value came to \$18.5 million, \$10.4 million and \$8.9 million, respectively. At average price of \$5 per 2-hour tape, that works out to 3.6 million cassettes for year ended June 30, slightly below Technicolor market share. VCA Duplicating added another \$5 per tape for its services, bringing total to \$10, above what is now industry average of \$8-\$9.

VCA meanwhile is investing \$2.5 million in Naperville, Ill. duplication plant, has spent \$393,000 to purchase Houston duplicator Tricom. One legal problem is facing company but it was doubted it would affect M&F deal. Company was named 3rd-party defendant by Video Assoc., which said VCA knowingly aided Karl in alleged unfair and deceptive trade practices relating to duplication and distribution of Jane Fonda Workout. Karl will indemnify VCA for cost of defense and damages, which VA has pegged at \$1 million.

SPECTRAVIDEO COMES BACK: Computer marketer Spectravideo is back in business, though now primarily as commercial rather than consumer equipment supplier. It has resumed operations under control of prime supplier, Hong Kong's Bondwell, which is in process of increasing ownership to about 80% from 16% and is operating out of new hq in Fremont, Cal.

SV cleared way for restart by settling rights dispute with former suitor Fanon/Courier. Though settlement terms weren't disclosed, Bondwell supplied funds for SV's purchase of computer sales unit set up by Fanon last fall in anticipation of its own acquisition of SV, along with rights to sell Bondwell-made personal computers in U.S. Though SV later said deal had fallen through and accepted Bondwell's takeover offer, Fanon has continued to press acquisition issue (TVD Oct 8 p17).

First computers from SV, already being shipped, are pair of Bondwell brand portables with built-in 9" monitors, dual 5.25" disc drives at \$995 for 64K version, \$1,395 for 128K step-up with double-sided drives. Also, company has resumed sales of SV brand computer and videogame joysticks.

* * * *

Activision, industry's biggest independent videogame marketer, will be showing new computer orientation, introducing first nonaction adventure games at Winter CES. Also new is Designer's Pencil, on-screen graphic and music composition program controlled by joystick.

While first programs will be for Apple, Commodore and IBM computers, company is preparing launches for Atari, and is prepared to issue in MSX format if Japanese standard starts showing up here, according to Mktg. Vp Ralph Guiffre.

At advance program showing in N.Y., Guiffre told us reports from retailers indicate strong pickup in consumer interest in Atari 800 XL computer — now selling at all-time low of just \$109 in many stores. "The question is whether Atari's disc drives are selling too," Guiffre said.

Meanwhile, Atari France is seeking to become independent company. Pres. Guy Millant said he is negotiating to acquire operation, along with exclusive French distribution rights to Atari computers and games.

Cost of TV watching will go up by 40% to 47% in U.K. next year if govt. grants BBC request for higher annual consumer licensing fee. BBC is asking fee be set at \$82-\$85 per year for 1985-88, up from current \$58. Boost would raise BBC's annual revenue from licenses to as much as \$1.2 billion, against \$825 million it now gets. Broadcaster said it could live with smaller reduction if govt. could track down some 1.5 million license evaders. BBC says it needs the higher fees to cover increased costs and to help finance planned construction of new \$125 million hq.

Consumer Electronics Personals

Lloyd Taylor, former Commodore technology vp, joins RCA Electronic Products and Labs as systems integration staff vp responsible for coordination of new electronics products, including digital TV, among RCA Consumer Electronics, New Products & Solid State Divs. and RCA Labs... Robert Garcia promoted at Toshiba from southwest region gen. mgr. to regional sales vp... William Schaeffer advanced at Bush Industries from vp to exec. vp, sales & mktg.; Harold Andersen, ex-Blackstone, joins as corp. operations exec. vp... Richard Zipp named North American Philips environmental affairs dir.

Clive Smith, ex-Yankee Group research dir., joins Commodore as corp. planning & development vp... Charles Winterble, Coleco Computer Products Group Vp, adds electronic product mktg. duties, assuming former responsibilities of Al Kahn, former exec. vp mktg., now exec. vp for toys... Paul Anderson, ex-RCA Videodisc, resigns as mktg. dir., RDI Video Systems... Jean Richardson resigns as Apple mktg. communications dir., effective Jan. 1, to launch own agency; Thomas Suiter advanced at Apple's ad dept. from creative dir. to creative services mgr., succeeding James Ferris, resigned... Frank Moros, ex-Perkin-Elmer, appointed Panasonic Industrial Computer Components Div. OEM data display product mgr... John Loveless, former Synapse Software mktg. vp, rejoins as pres... Edward Esber, Ashton-Tate pres.-COO, adds duties as CEO, succeeding David Cole, resigned to join Ziff Corp. as pres.

Jack Bernstein, ex-Pickwick, named mktg. & distribution senior vp, Media Home Entertainment; Alan Ostroff promoted from national sales dir. to sales vp; Peter Pidutti ex-midwest regional sales mgr., named field sales mgr.; Allen Seidman, ex-Samuel Goldwyn, joins as operations vp... Ralston Coffin, ex-pres.-CEO of Agro International, appointed pres., CBS/Fox Video International Div.; Debra Gonsler named CBS/Fox Video production dir... Harold Komisar, previously ex-Win Video, joins RKO Home Video as east region sales mgr.

RIAA is giving little guys chance for video sales awards by setting up special lower volume classification for nontheatrical videocassettes such as music videos and how-to shows. Starting Jan. 1, such alternative titles will qualify for gold award with sale of 20,000 tapes or \$800,000 at retail, hit platinum at 40,000 or \$1.6 million, compared with respective unit sale standards of 50,000 and 100,000 for movies.

CompuServe will launch Electronic Mall computer home shopping service in early 1985. Company ran 4-month test on its 150,000 subscriber consumer data base, offered products from 65 merchants, including Record World, Sears, Waldenbooks. CS said 2.1% of subscribers who called up service made purchases, against 1.5% order rate from catalogs.

DECEMBER 10, 1984

Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available at press time. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
Hitachi*			
1984-6 mo. to Sept. 30	9,998,300,000	409,600,000	1.41
1983-6 mo. to Sept. 30	8,476,200,000	321,900,000	1.13
Mattel			
1984-39 wk. to Oct. 27	731,729,000	86,642,000	2.86
1983-39 wk. to Oct. 29	497,012,000	(222,769,000)	-90
1984-13 wk. to Oct. 27	319,269,000	39,506,000	-90
1983-13 wk. to Oct. 29	218,315,000	(42,296,000)	-90
Tektronix			
1984-24 wk. to Nov. 10	639,582,000	39,774,000	2.06
1983-24 wk. to Nov. 12	551,019,000	26,204,000	1.37
1984-qtr. to Nov. 10	333,417,000	22,021,000	1.14
1983-12 wk. to Nov. 12	285,000,000	12,724,000	.66
Toshiba*			
1984-6 mo. to Sept. 30	6,500,000,000	169,400,000	—
1983-6 mo. to Sept. 30	5,100,000,000	106,100,000	—

Notes: *At yen's current rate. ^aPer ADR. ^cIncludes special credit. ^bRestated.

In-store viewing of rented cassettes is public performance, and violates copyright, Pa. Appeals Court has ruled, upholding studios' earlier lower court victory against Maxwell's Video Showcase, Erie, Pa. operator of 2 store-fronts with TV watching rooms. MVS had claimed protection under first-sale doctrine, said it owned tapes, and that rooms which hold 1-6 viewers are as private as customer home. But Appeals Court said there was big difference and that fees collected by MVS "are analytically indistinguishable from admission fees paid by patrons to gain admission to any theater."

China is shopping for 2nd large-scale color TV tube plant. Contract is valued at about \$204 million. China expects color market will hit 2.6 million this year, 5 times that of 1983, and is looking for doubled volume in 1985. Front runner in race for new plant contract is same Hitachi-Toshiba combine that put up \$61 million tube plant in China in 1978. Also, Sanyo will expand Chinese connection by constructing semiconductor manufacturing subsidiary there. Operation is to start production early next year, turn out 10 million signal transistors for consumer electronics in first year, triple that in 1986.

Diamond tips for phono needles are no longer being sold in U.S. at less than fair value, according to International Trade Administration. Agency said review of imports in year to March 31 turned up no evidence of dumping by Diamond Stylus Ltd., sole current exporter. It was first such no-dumping finding since case was finalized in 1972. ITA will consider request for revocation of dumping ruling if review for current year also shows no imports at unfairly low prices.

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Consumer Electronics Personals

Henry Thorne, former Magnavox sales vp, advanced at NAP Consumer Electronics to brand sales vp, adding responsibility for Philco and Sylvania lines in restructuring under Donald Johnstone, who replaced Frank Lann as pres.-CEO last Oct.; Ronald Marsiglio, ex-color TV product planning vp, named color TV mktg. vp; Louis Slangen, ex-planning vp for purchased products, named audio & video equipment mktg. vp; Ronald Stoltenberg, ex-Sylvania vp-brand mgr., has left company; Keith Drysdale advanced from mgr. to dir., business planning, at NAPCE parent, North American Philips... Charles Wack, RCA Consumer Electronics west coast field service engineering dir., retires Jan. 1 after 35 years with company.

A.J. Menozzi, ex-Magnavox, joins Toshiba Consumer Electronics Div. as northeast gen. mgr... Gerald Astor, ex-Mattel & Akai, named gen. mktg. mgr., Seiko Consumer Electronics Div... Paul Miller leaves post as Gold Star mktg. mgr... William Spencer, Coleco product operations dir., and Charles Murphy, treas., named vps... Conrad Jutson, former Atari vp, and John Brown, computer industry veteran, form P.C. Mktg. Assoc., rep and consulting firm, 960 Saratoga Ave, San Jose, Cal. 95129.

Carl Korn, Dynasean chmn.-CEO, adds interim duties as pres.-COO, succeeding Frank DiLeo, resigned to pursue other business interests... Robert Whigham, ex-Westinghouse, named exec. vp-COO of phone marketer Comdial... Samuel Murphy, ex-Gulf, joins RCA as senior vp-gen. counsel, succeeding Exec. Vp Eugene Beyer, who will handle special assignments until retiring Sept. 1; Lawrence Brown appointed tax affairs staff vp.

Jonathan Dolgen resigns as pres. of Columbia Pictures domestic operations and pres. of Paycable & Home Entertainment Group... Richard Longwell advanced from national sales mgr. to sales dir., Disney Home Video... Midge Barnett, Western-World TV home video international sales and operations dir., named vp; Belinda Menendez appointed Latin American sales and operations vp... Claude Borenzweig named video production mgr., Polygram Records... James Perkins, ex-Hearst-ABC Video Services, named pres. of Videoware Productions, production and distribution company, replacing founder Tom Alison, now exec. vp. and board member; Mark Heyer, ex-Sony, is associate in charge of Interactive Video Disc Lab... Sue Steinberg, ex-HBO and Vestron, joins RCA Video Productions as program production dir.

Roger Gower, pres. of disc drive maker Miniscribe, adds duties as CEO, succeeding founder Terry Johnson, resigned... Henry Montgomery, Trilogy pres.-COO, adds post of CEO, succeeding Gene Amdahl, who continues as chmn... Randy Crume advanced at Epson America to head new LCD products group, marketing flat panel data displays.

Pioneer is combining video and audio in tape as well as disc. Laservision-compact disc player will hit market at \$1,200 next month, and by next fall company is expected to unveil 8mm Video home deck with separate digital audio, as well as video capability. In Japan, company said deck will record up to 9 hours of music on 90-min. videocassette, and that 4-hour cassette now in development will provide 24-hour audio recording format. Meanwhile, at meeting with software suppliers last week, we're told, PV Pres. Ken Kai put LV population in U.S. at 150,000, claimed sales in 1984 were double those of 1983, said company will introduce mid-range \$450 machine next year. In Japan, Pioneer said its consolidated sales of LV players and discs in fiscal year to Sept. 30 nearly doubled to \$210.2 million but noted market slowed in 2nd half following RCA's decision to halt sales of CED player.

E.F. Johnson isn't losing \$7 million monthly, "in fact is doing rather well," spokesman for Western Union told us, responding to report here last week (TVD Dec 10 p12). Johnson, he pointed out, is nonunion plant, so there are no negotiations regarding salary reductions; however, WU "has implemented paycut for its nonunion employes throughout corporation." He acknowledged that Johnson and some other WU units are up for sale but said that was being done because of "need to conserve cash and raise cash," and "in line with our desire to sharpen our focus within the telecommunications industry" and other areas. Sale plans, he said, don't relate to Johnson's operating performance or concern with outcome of cellular phone antidumping case being pressed against Japanese suppliers.

Video software notes: Sony has registered "Video 45" as trademark for its 18-min., \$16.95 music tapes... Karl Home Video has decided not to exhibit at Winter CES in Las Vegas after all. Company said it didn't want to be sole software major attending... Embassy Communications is considering partial public sale of minority interest in subsidiary Embassy Home Entertainment. Deal would be structured along lines of 15% sale of MGM/UA Home Entertainment by MGM/UA Entertainment. Meanwhile, MGM announced offer to reacquire outstanding shares in its video unit for \$126 million of notes, or about twice what it raised in 1982 stock sale... Video Station, which owns wholesaler Coast Video, has filed for Chapter 11 bankruptcy protection, said it's reorganizing with full support of Bank of America, principal secured lender.

Tandy will face somewhat higher interest costs on planned sale of \$300 million 2- and 4-year notes as result of Standard & Poor's downgrading of its debt rating by notch. Radio Shack parent said it was "pleasantly surprised" rating was dropped only single point. In preliminary prospectus for proposed offering, Tandy says \$205 million of proceeds will go to pay off debt incurred to finance recently completed buyback of 10 million shares, with rest being used to retire short-term debt.

1984 vs. 1983

- + 6.8%
- +14.6%
- +14.4%
- +35.5%
- + 6.6%
- 12.5%
- +83.4%

indicated median sales of 200,000 VCPs in 1985, as opposed to 150,000 VDPs. VCP forecasts ranged 50,000-500,000, VDP 50,000-250,000.

It will still be tough to make a buck in consumer electronics. Although dollar sales will be up a median 6%, respondents saw profits remaining same as in 1984. Dollar sales forecasts ranged from same as 1984 to 15% increase, nobody seeing decline. There was more division on profits -- same percentage (35%) saw increases as decreases, with 30% predicting no change in profit situation.

Main challenge for 1985? Same as 1984 -- majority of respondents cited profits and prices. Written in were such related challenges as maintaining sales momentum, avoiding overproduction, competition, inventory control and oversupply, keeping order in VCR market, Korean VCRs, managing technological change. Among product challenges, multichannel TV sound stood out, along with 8mm Video, super VCR, monitor receivers. One reply seemed to sum up much of challenge of the future: "Confusion."

NINTENDO'S AVS: Japan's Nintendo is aware that high-end home videogame business is in state of depression, but feels it can be successful with sophisticated component type Advanced Video System it plans to unveil at upcoming Winter CES, according to Consumer Products Sales Vp Bruce Lowry. He told us company already has gotten signs of acceptance from some key retailers, has eye on sales of up to 500,000 game consoles in 1985, and is prepared to back launch with major ad and promotional effort.

Nintendo's AVS falls somewhere between high-end game and low-end computer, offers outstanding graphics, comes with wireless infrared remote pushbutton controllers that slide into game console for storage. While system hasn't yet been finally priced, basic console will list at about \$75, and 25 cartridges to be available at introduction will go for \$20-\$30 each.

One advanced feature is edit capability on some cartridges, which allows user to modify game by adding, deleting or moving obstacles around to make game harder or easier to play. Upcoming keyboard accessory will let user change basic game program itself. Optional cassette data recorder will be offered so changes, though not program itself, can be stored and reloaded. Other accessories on way include piano-type music keyboard with memory, pistols for target games and more standard joystick controls.

Company should have little problem on brand awareness, Lowry indicated. Test panels indicated youngsters were well aware of Nintendo name because of its appearance on arcade coin-op video games and on home video and computer games it's licensed to other marketers here. But while contending "we see an opportunity for a video entertainment piece for the home," he acknowledged company faces job getting today's consumers in mood to make sizable cash outlay for game. We estimate that complete AVS system would run upwards of \$300, excluding software.

Nintendo hasn't firmed up policy on 3rd-party

software, but it's likely to follow hard line it has taken in Japan, according to Gen. Counsel Howard Lincoln. There 2 other game makers, Taito and Namco, offer programs for AVS -- sold in Japan as Family Computer System -- under license and veto control by Nintendo. Such U.S. game producers as Atari and Mattel encouraged independents to develop and market cartridges for their systems, and ensuing flood of cheap games with little originality or play value was major contributor to collapse of game market here, Lincoln said, adding Nintendo isn't going to let that happen to AVS.

Lincoln told us company probably will seek 3rd-party software support but has yet to make decision on whether Nintendo will insist on handling marketing or let independents do it themselves. It will insist that all AVS games meet acceptable graphics and play quality standards. "We have a very strong patent position and intend to enforce it" against infringers, he stated.

Radio Shack cellular phones have been introduced in 7 markets at \$2,000, or packaged with installation kit at \$2,200. Units are being offered in Atlanta, Baltimore, Dallas, L.A., N.Y., Pittsburgh, Washington. Phones are being sourced from Finland's Mobira, partner with RS parent Tandy in cellular phone production. It's understood venture plans to manufacture equipment in Korea. Also moving into cellular is Audiovox, which will be marketing 2 hands-free Toshiba-made models at \$2,300 and \$2,600, last with built-in message counter and recorder.

Satellite dishes were outlawed in Harpers Ferry, W.Va. because Town Council feels they don't fit atmosphere and 19th century architecture in protected federal historic district. There's only one dish in town, and owner says he'll appeal any order to remove it.

Sanyo has started construction of \$25 million R&D center in Tsukuba, Japan. Facility, expected to employ 70 in Sept., will concentrate on semiconductor processing, robotic software and new materials.